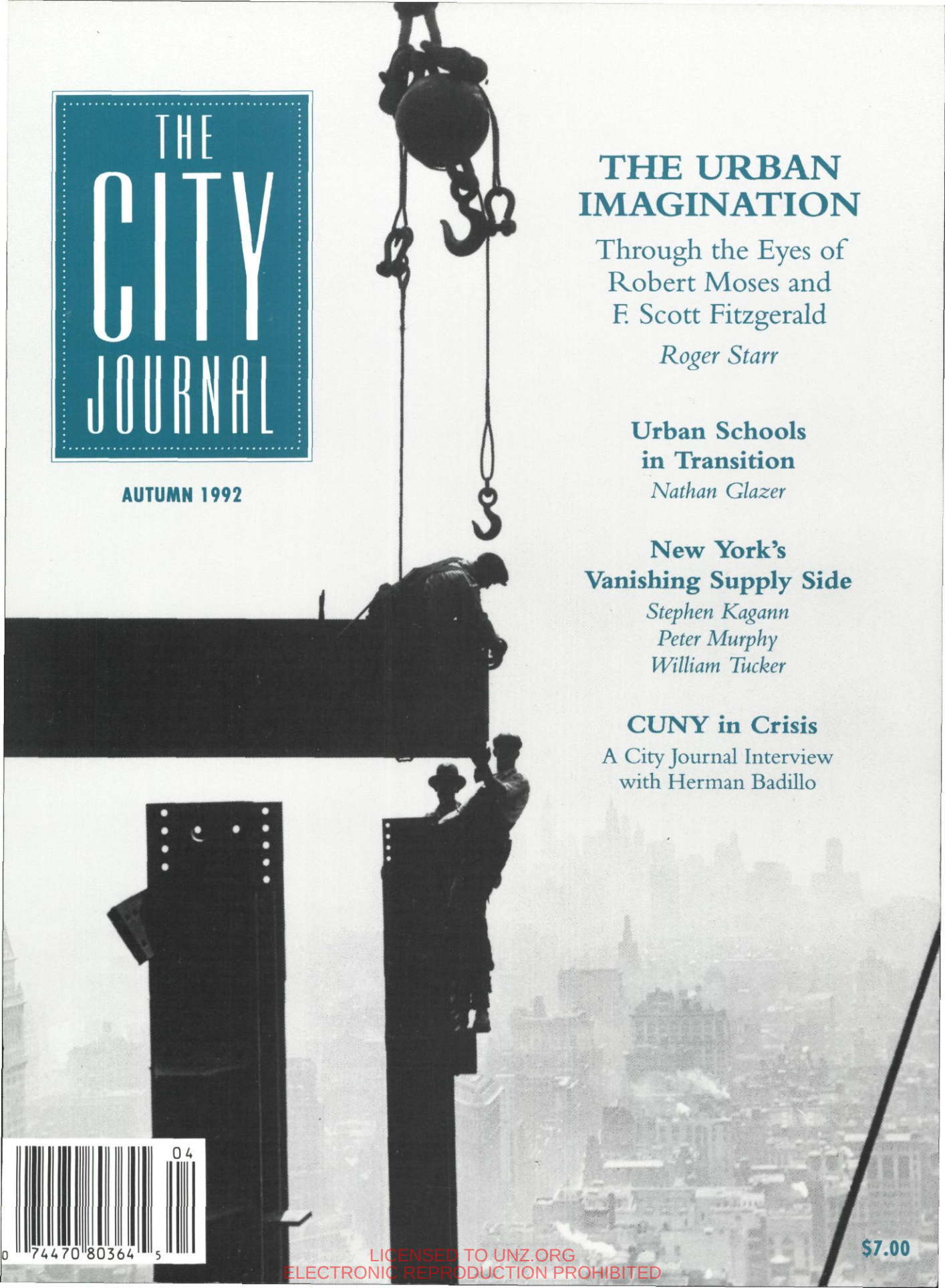

THE CITY JOURNAL

AUTUMN 1992

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Urban Schools in Transition

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New York's Vanishing Supply Side

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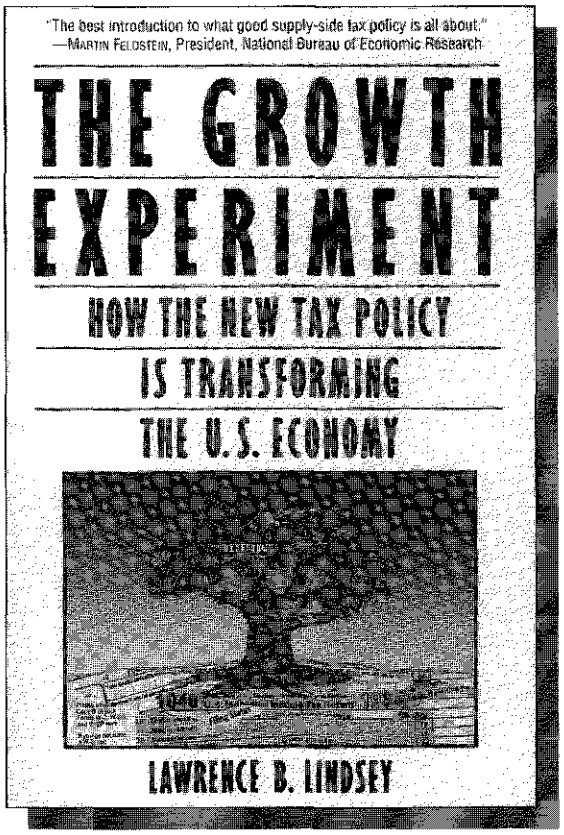
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AUTUMN 1992 VOLUME 2, NUMBER 4

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EDITOR'S JOURNAL

OMENS OVERLOOKED

This July, the Manhattan Bridge had to be closed to subway traffic when the web of a steel beam supporting the tracks was found to be so badly eroded that it was pierced by a hole 1.25 inches in diameter. A repair team reinforced the beam, restoring its original strength. Subway trains were again traversing the bridge the next day.

Everything, in short, was fine. Or was it?

This occurrence suggests that there is a serious problem with the way the city monitors the condition of its bridges. The state Department of Transportation is responsible for inspecting bridges on a two-year cycle; it takes the inspectors, employed by engineering firms that contract for the job, almost that long to complete their examinations of the 1,300 bridges in the city.

Inspectors mark with a red tag conditions they judge so dangerous as to require repair immediately—that is, within six weeks. A yellow tag marks conditions that, while not immediately dangerous, are likely to become so if left until the next inspection team comes two years later.

When the problem beam on the Manhattan Bridge was last inspected two years ago, it was not tagged. It was classified as a "5," meaning that it showed signs of deterioration, but not enough to make it dangerous. That a structural beam could deteriorate in less than two years from a "5" to an emergency status—one in which "immediate" means "right away"—is alarming. It suggests that two years are too long to wait between inspections to assure the safety of a structure. Unless the deterioration of the problem beam can be explained by a unique intrinsic weakness, the city has a serious systemic problem on its hands.

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The corroded Manhattan Bridge beam did not cause a catastrophic accident, but it could have. The state and city transportation departments should take the incident as seriously as if a disaster had occurred. The episode provided an early warning of trouble ahead; unfortunately, the record of the public and of officialdom shows that such early warnings are often disregarded.

Two of the writers in this issue of the *City Journal* show how New York's economy suffered when city and state officials ignored early warnings.

Stephen Kagann shows how the fiscal crisis of 1975 was an early warning that the city's economy was in serious long-term decline. Despite steady tax increases, the city's revenues were not keeping up with the increasing costs of government. Instead of acknowledging that its high-tax policies had brought New York to the verge of economic collapse, the city government continued to raise taxes. Today, Kagann shows, the city is doing the same thing all over again—and the result is likely to be a protracted economic downturn, which could well be worse than that of the 1970s.

In another article, Peter Murphy explains how successive governors took money from the State Insurance Fund, a state-run supplier of workers' compensation insurance, to balance their budgets in difficult years. The fund had been managed in a very businesslike way, amassing a considerable surplus which was invested in interest-bearing securities. But beginning in 1982, Governor Hugh Carey forced the insurance fund to "lend" the state millions of dollars without interest. Under Governor Cuomo, the $190 million taken by his predecessor ballooned to nearly $1.3 billion. The earning assets of the fund, accumulated over decades, disappeared forever into the state's annual budgets, as though they were tax receipts.

The fact that the Governor had to resort to such trickery to balance the budget should have been taken as an early warning that the State of New York was running off balance. After all, if the state could not balance its budget without raiding the insurance fund, how did it expect to do so after the fund's assets were drained? What was needed was not a quick fix, but a zero-based budget exercise that would force Albany to make unpleasant but necessary choices about how much can be spent within the limits of available revenues.

Political leaders often ignore early warnings because heeding them would be politically unpopular. It is easier, for example, for the city to raise taxes or the state to raid the insurance fund than for either to cut funding to programs backed by powerful interest groups. The consequence of elected officials striving to be popular may be disastrous for the city and state in the long run but good for the official in the short run. The trouble may not become noticeable until someone else is in office.

Former Sanitation Commissioner Steven Polan, also writing in this issue of the *City Journal*, sounds another early warning: about the city's garbage crisis. With landfill space quickly running out and the potential of recycling limited, the city will have to build waste-to-energy incinerators to deal with a substantial portion of the city's solid waste.

After much controversy and an all-night hearing, one new waste-to-energy incinerator has been approved by the City Council. But more hearings will be held before it is built, and city officials will remember that their offices and homes are easily reachable by chartered bus from anywhere in the city. The buses will come, filled with residents and their children, carrying placards, there to remind elected officials that only saints and incompetent politicians sacrifice their own careers for an unpopular but necessary public good. One can only hope that the future Council members will dare to risk their own popularity to advance the common good.

Democracy is a difficult process, one in which, unfortunately, the common good doesn't always prevail over the politics of the moment. Some early warnings, of course, turn out to be wrong. The public and its leaders must carefully consider which ones to heed. It is clear, however, that New York needs leaders willing to take unpopular stands in order to make a better future.

—RS

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LETTERS

Good Measure

To the Editors:

My reaction to George Kelling's article ["Measuring What Matters," Spring 1992] was, "Well, of course." The problem of dealing effectively with crime is so fundamental, yet we are not dealing with it.

Imagine how great New York City life would be if our public areas were safe and pleasant. One lives in New York City because of its density and richness of experience, but this is something largely denied its residents, particularly its poorer citizens.

The Police Department alone is not responsible for controlling behavior in our public places. Community policing works because it seeks to enlist the neighborhood in preventing crime. Instead of competing with the Federal Government for high-visibility prosecutions, the district attorneys of each county need to focus on the problems their constituents have in the streets where they live.

Community courts, whose primary concern is quality-of-life problems like disorderly conduct, harassment, shoplifting, and minor drug offenses, are not just more efficient—they involve residents and give them the will to control their own streets. This decentralization and attention to poorer neighborhoods heals racial divisions by giving power and, most importantly, by showing respect to its residents. The real meaning behind the failure to demand certain standards of behavior is that others see the residents of these communities as not being able to maintain this behavior or not caring how they live.

However, this involvement demands resources we have refused to allocate and a will to reject, with force of law if necessary, certain behavior. I believe it is possible now to command these resources and display this will.

Edward W. Hayes
Attorney-at-Law
New York, N.Y.

To the Editors:

Mr. Kelling's provocative article points to a widespread problem: figuring out whether public employees are doing a good job. This is not necessarily harder in the policing field than, for example, in libraries, but policing is evolving more quickly than other municipal services, so the need to evaluate efforts at preserving order is greater.

One way to measure police performance is by surveying the opinion of the public they serve. Recently some police departments have tried contacting complainants to learn how they felt they had been treated and how their problems were resolved. The Houston Police Department tried calling to offer advice and assistance in the days following the crime to help victims recover from their experience. Chicago contacts complainants to determine whether patrol officers and detectives have been keeping honest records. However, only a very few departments have tried to systematically sample and re-contact large numbers of complainants on a continuing basis to provide feedback on precinct, unit, or individual officer performance. Madison, Wisconsin, does this with a postcard, but a telephone inquiry would get a higher response rate and permit the asking of many more pointed questions tailored to the kind of complaint involved.

Police effectiveness can also be monitored by using the "hot spots" that any police computer can pick out from the flood of data coming into the department's dispatching system. Computers and their human assistants can generate overnight reports on emerging concentrations of complaints. A management system could require beat officers to investigate and develop plans for resolving these complaints. Police performance could be judged by whether the same hot spots continue to show up on the computer after a certain length of time, providing one basis for determining the effectiveness of police response.

In the long run, however, the use of new technologies might supersede both of these schemes. One goal of community policing is to increase the flow of information from neighborhood residents to "their" officers, perhaps as the officers walk the beat or service a community station house. Little of this information could now be monitored without introducing more unwanted paperwork into the lives of beat offi-

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cers. As more of them—and us—carry around personal communications gear, the capacity for citizens to reach their own officers directly will grow exponentially. In New Haven, Connecticut, police on community beats carry beepers so they can be contacted directly, and also have answering machines. This may account for some of the recent drop in "calls for service" logged in the city's 911 system.

Police departments are driven by their communications systems: at the turn of the century by gongs and horns on station house roofs, later by telephone and dispatch radio. The next step may be to bypass downtown and the dispatcher—and the department's data system—completely. This will make evaluating officer performance even more difficult than it is today.

Professor Wesley G. Skogan
Center for Urban Affairs and Policy Research
Northwestern University
Evanston, Ill.

To the Editors:

Princeton University and the U.S. Bureau of Justice Statistics have launched a collaborative project on redefining criminal justice measures in ways that enhance the performance of police departments and correctional agencies. As director of that ongoing project, I found Mr. Kelling's article a most welcome contribution. As usual, Mr. Kelling hits the nail on the head: We do need to build databases that measure the problems that citizens really care about. Cheers to the *City Journal* for publishing this important and timely essay.

Professor John J. DiIulio, Jr.
Woodrow Wilson School
Princeton University
Princeton, N.J.

Beyond Gridlock

To the Editors:

Dick Netzer's article ["Congestion By Default: New York's Haphazard Transit System," Spring 1992] highlights many of the problems afflicting New York City's transportation network. No one would argue with Mr. Netzer that for far too long New York underinvested in its transportation infrastructure. All too frequently one experiences delay, inconvenience, or distress arising from the lack of adequate maintenance and renewal of the region's highway and transit network.

Since 1982, the Metropolitan Transportation Authority has spent nearly $16 billion on restoring the subway, bus, and commuter railroad systems to a state of good repair and maintaining them in that condition. This effort has led to more reliable service, an improved commuting environment, and in some cases increased service. Yet more remains to be done.

The MTA has proposed spending $10 billion in its 1992-96 capital plan to continue rebuilding the system and begin adding some of the amenities Mr. Netzer and I would like to see in our system. Presently, the State Legislature has only approved one year of this plan, but it has asked the authority to resubmit its program in October. Without continued funding the system will begin to regress and few of the capacity improvements that the MTA would like to initiate, such as the Queens Boulevard connection to the 63rd Street Tunnel, will begin.

This summer the MTA proposed a new package of creative pricing incentives and service enhancements that could attract new riders, reduce traffic congestion, and help the region attain federal clean air standards. This "Fare Deal" program would phase in monthly transit passes with unlimited rides, two-fare zone discounts for riders who use multiple systems, and modest service enhancements.

The "Fare Deal" proposals are dependent on full funding of the authority's automatic fare collection system and establishment of a multiyear financial plan by the State Legislature. The AFC system will offer the capability to extend peak and off-peak fares to the bus and subway system, a form of congestion pricing which Mr. Netzer and many others advocate.

In January 1992, the MTA released a study entitled *Van and Car Service Issues Affecting NYCTA Surface Operations*. While space does not permit me to fully discuss this issue, the MTA supports review of the bus franchising process in New York City, changes in surface transportation planning, and development of a role for licensed, inspected, and regulated vans in the delivery of surface transportation.

Furthermore, it is likely that many of Mr. Netzer's ideas with respect to roadway congestion

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and goods delivery will be given serious consideration as the region moves to comply with the requirements of the Clean Air Act Amendments of 1990.

Peter Stangl
Chairman
Metropolitan Transportation Authority
New York, N.Y.

Saving the Schools

To the Editors:

I read with great interest the thoughtful and persuasive article "Putting Schools First: Changing the Board of Ed's Priorities," by Raymond J. Domanico and Colman Genn [Spring 1992]. Most right-thinking New Yorkers agree that substantive changes must be made in our city's public school system in order to provide students with the education they deserve and need to function as productive and responsible citizens.

However, I and many others question whether "choice" is by itself a panacea. Certainly, choice has the potential to help schools improve, and it can help replace bureaucratic inaction. Nonetheless, choice alone is not the answer. In order for all youngsters to benefit from choice, all parents must have real alternatives. When a system offers a limited number of good schools, benefiting a limited number of students, many will be left out. Choice may force some schools to become good, but what happens to the rest? If the playing field is not leveled, New York City's public schools will remain as inequitable as they are at present.

All schools must be brought up to a superior level. A major investment must be made in early childhood development, so that children come to school prepared to learn. The lack of care of our school buildings and facilities reflects a disregard and disrespect for the students and teachers who spend so much time in them. Capital investment in school buildings is vital. Our teachers must be given a chance to improve their skills. An investment mechanism must be found to ensure appropriate pay and to increase morale, retention, and performance, and we must further develop the leadership of school principals and administrators.

These changes need to happen across the board. All schools must improve. Only then will the parents of all of the children of this city have a "real" choice.

Reuben Mark
President
Colgate-Palmolive Company
New York, N.Y.

In Defense of Wicks

To the Editors:

Having been deeply involved in public construction for more than thirty years, I can attest to the fact that the problem with public construction is not the way the contracts are bid (the sole province of the Wicks Law) but the way construction projects are managed.

What's frustrating is that Joseph Rose, in preparing his article ["Politics and the Wicks Law," Summer 1992], made no attempt to talk with me or any of my colleagues in the mechanical trades he so viciously pillories. If he had spoken with any of us, he would have learned several important facts about public construction:

- The Wicks Law is not perfect (the $50,000 threshold is too low, for example), but it is closer to what happens in the private sector than the single contract he espouses.
- Weaknesses in the Wicks Law mandates can be eliminated by instituting several simple rules that are standard operating procedure in the private sector, including pre-qualifying contractors and using construction managers to oversee on-site activities and serve as the owner's representative.
- The Wicks Law mandates that the public agency hire the lowest *responsible* bidder. Jobs are rarely delayed when a disqualified contractor files an Article 78 complaint.
- Opponents of the Wicks Law always complain about "the administrative burden of preparing and bidding at least four individual contracts for each project." No matter how a job is bid, multiple contracts must be prepared, whether by the public agency or the general contractor.
- Many people have pointed to the "success" of the New York City School Construction Authority—which is Wicks-free—as proof of how the Wicks Law slowed down construction of schools and inflated costs. In four years, the SCA has fin-

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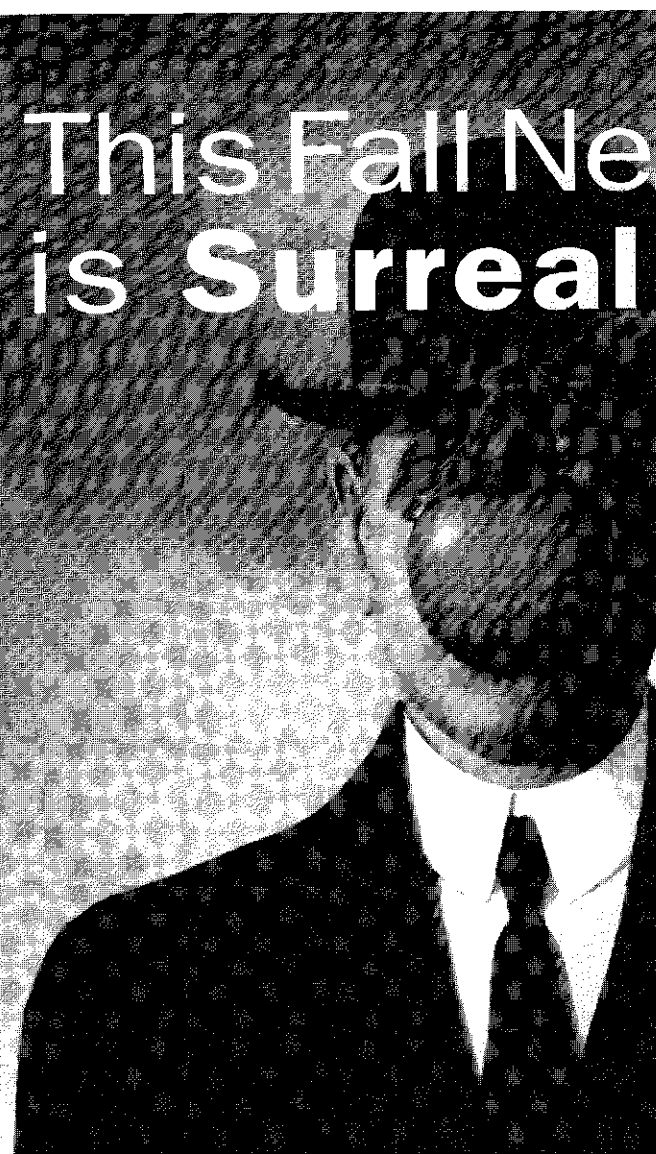
This Fall New York is **Surreal**



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ished only four school projects from ground-breaking to ribbon-cutting. Illegal and potentially dangerous use of unlicensed electricians and plumbers and serious Building Code violations are a constant problem.

The debate about the Wicks Law swirls around superfluous issues rather than probing the true shortcoming of public construction: the lack of rational long-range planning and the absence of capable and comprehensive management of the city and state's multibillion-dollar construction portfolios.

George V. Whalen
Council of Mechanical Trades Contractors
New York, N.Y.

Joseph Rose replies:

George Whalen's complaint about poor management of public construction projects calls to mind the classic illustration of the Yiddish word chutzpa: the son who murders his parents and then appeals to the court for mercy on the grounds that he is an orphan. Of course public construction projects are chaotic: the Wicks Law makes it inevitable.

None of Mr. Whalen's assertions is new or alters in any way the simple fact that the Wicks Law is a boondoggle that squanders public funds.

- Raising the threshold from $50,000 would only omit the smallest projects from Wicks-related plunder. Efficient management is much more crucial on large projects than on small ones.
- The elaborate procedures required to disqualify a troublesome contractor are so burdensome that they are rarely used.
- While most large projects do demand many subcontracts, government agencies should not have to handle all the administrative paperwork that would ordinarily fall to a general contractor.
- As I stated in the article, the dubious compromise that exempted the New York City School Construction Authority from the Wicks Law is so rife with impediments to effective construction management that it is a poor example of the comparative efficiency of Wicks-free construction. A special panel of the Bar Association that scrutinized the terms of the agreement concluded that the actual construction conditions would only be minimally improved.

Nothing in Mr. Whalen's letter (or in other statements by him and his colleagues) in any way refutes the fact that the Wicks Law is a wasteful statute which is difficult to administer, raises the cost of public construction, and leads to extensive delays, litigation, and often shoddy construction. The law's longevity—despite decades of vigorous opposition by a remarkably broad coalition—is a tribute to the influence in Albany of Mr. Whalen and his colleagues. It is also a stinging indictment of the New York State Legislature, one that should alert all New Yorkers to how their trust and tax dollars are abused by their elected representatives.

EDITOR'S NOTE

The charts that accompanied Richard Miniter's article "A False Alarm on Smog," which appeared in the Summer 1992 issue of the *City Journal*, were based on data derived from government sources by K. Jones of Zephyr Consulting.

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NEW YORK VIEWS

Should Staten Island Leave the City?

Joseph P. Viteritti

Staten Island is the city's smallest borough, but its population of 380,000 makes it as big as Miami or Pittsburgh. Now, there is a serious possibility that Staten Island will secede and form a city of its own. It would be the second-largest city in New York State.

Eighty-three percent of the borough's voters approved a 1990 referendum, authorized by the State Legislature, that created a bipartisan commission to study secession. The commission will also draft a proposed city charter to be put before the voters of Staten Island in November 1993. If they approve it, the issue will go back to Albany for final approval by the Legislature and the Governor.

In many ways, Staten Island is unlike the rest of New York City. It is 85 percent white, mostly middle-class and suburban. The Republican Party has a strong presence on the island, though its residents also produce large majorities for Mario Cuomo. It is the only borough in the city to support a major daily newspaper, the *Staten Island Advance*, a Newhouse publication that outsells all city newspapers combined on the island. Staten Island's transportation infrastructure further distances it from the other boroughs: Its only connections are the Verrazano-Narrows Bridge to Brooklyn and the ferry to Manhattan. In contrast, three bridges connect the island with New Jersey.

The idea of secession has drawn vehement opposition from city political leaders. Indeed, many Albany insiders speculated that the bill authorizing the secession referendum passed the Assembly only because most city Democrats were counting on a veto by Governor Cuomo. When Cuomo signed the bill in 1989, outgoing Mayor Ed Koch accused him of "plunging a dagger into the city's heart."

Upon taking office, Mayor Dinkins instructed his corporation counsel to mount a legal challenge to stop the original referendum, arguing that by limiting it to Staten Islanders, the state had denied equal protection to other New York City residents on an important citywide issue. The city also claimed that by giving ultimate authority to the State Legislature, the law violated the home-rule provision of the state constitution. The state's highest court rejected Dinkins's petition. The Mayor responded by appointing his own Task Force on Secession, headed by Marcia Smith, a former assistant to Deputy Mayor Bill Lynch, to study the impact of secession on both

Joseph P. Viteritti, executive director of the Center for Management at New York University's Robert F. Wagner Graduate School of Public Service, also serves as part-time staff director of the New York State Charter Commission for Staten Island.

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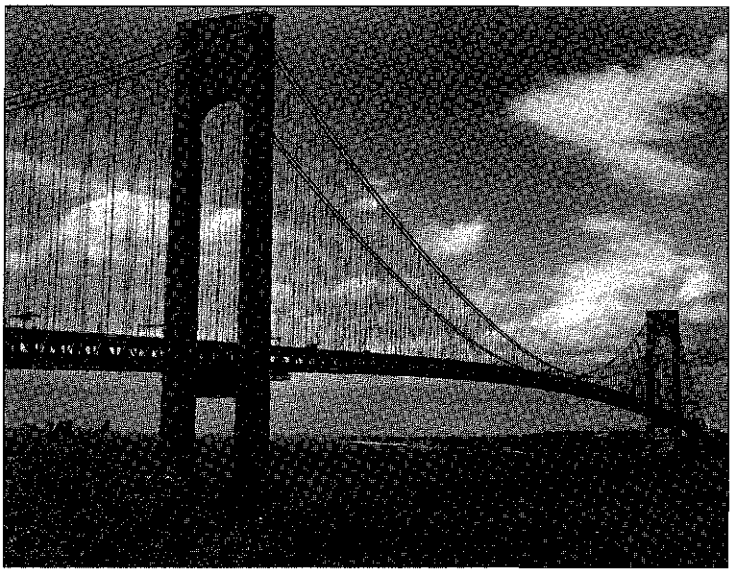

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VERRAZANO-NARROWS BRIDGE

Staten Island and the city and to represent the Mayor's view on the issue.

Secession supporters accuse the Mayor's task force of bias; opponents make the same claim about the state commission, which is dominated by Staten Islanders. One hopes that despite the passion on both sides, it will be possible to address the question in a reasonable and intelligent way.

Toward this end, the state commission has appointed a number of experts to explore the economic consequences of secession. The Center for Management of New York University's Robert F. Wagner Graduate School of Public Service has general responsibility for the commission's research. A team of NYU economists, including Robert Berne, Dick Netzer, and Leanna Stiefel, has investigated the present cost of municipal services on the island, which will be used to develop forecasts of its economic viability. Hugh O'Neill, formerly of the Port Authority, has studied the present and future economy of the island. The law firm of Orrick, Herrington & Sutcliffe is examining the apportionment of assets and liabilities between Staten Island and the remainder of the city, and the firm of Kaye, Scholer, Fierman, Hays & Handler is preparing a memorandum on the continuing legal obligations of a separate Staten Island. CUNY political scientist Douglas Muzzio conducted a poll to gauge Staten Islanders' attitudes toward secession, and Richard Briffault of Columbia Law School will advise the commission on drafting the charter.

The Staten Island secession movement is nothing new: Talk of divorce has been heard across the Narrows ever since the island joined the city in 1898. At that time, however, most Staten Islanders were happy to become New Yorkers. Indeed, when the creation of Greater New York was approved in an 1894 referendum, the largest margin of victory came in Staten Island.

As in most separations, a dramatic incident was needed to stimulate action. The first occurred in 1947, when New York City decided that Fresh Kills would become a major garbage dump. The two-thousand-acre landfill has remained a sensitive issue among Staten Islanders, an ominous symbol of how the city literally and figuratively dumps on its smallest borough. It is the largest open landfill on the planet and the last remaining in New York City. Ten thousand tons of residential garbage are dumped there each day. The mountain of waste reaches 140 feet into the sky and is growing higher. In the state commission's recent poll, Staten Islanders cited Fresh Kills as the most important problem facing the island.

The issue of secession was enlivened again with the passage of the new City Charter, which abolished the Board of Estimate, the body that allowed Staten Island the most effective voice it ever had in the governance of the city. The U.S. Supreme Court had ruled that giving bor-

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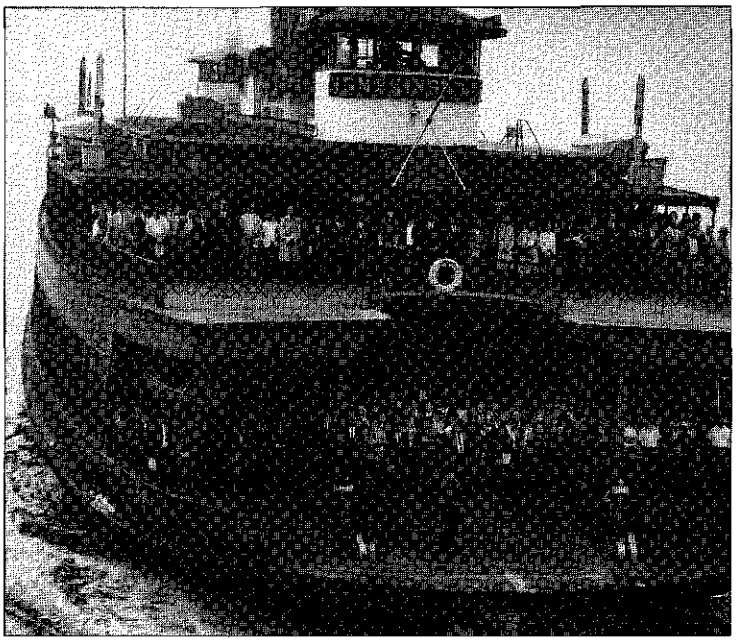
oughs of disparate size equal representation on the board violated the one person, one vote standard. The present charter leaves the representation of Staten Islanders in the hands of three city councilmen in a 51-member legislature. It is understandable why 84 percent of Staten Islanders in the commission's poll said their interests are inadequately represented in the new charter. This is a classic case of a minority demanding that its rights be recognized within a majoritarian system.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STATEN ISLAND FERRY

But the opposition's case is equally reasonable. Staten Island is served by New York's water system and by ferries owned and operated by the City of New York. It provides what the city sorely lacks elsewhere—unencumbered land and a suburban living environment for those who might otherwise move out of the city altogether.

Opponents of separation also contend that New York City cannot afford to lose a substantial part of its middle-class tax base. The average Staten Island household earns $43,862, compared with a citywide average of only $29,832. Only 7.8 percent of Staten Islanders live below the poverty line, compared with 19.3 percent in the entire city. Proponents complain that Staten Island residents carry an unfair share of the financial burden imposed by the costly government of New York City.

But the Staten Island tax base is not as large as is often assumed. Only 1.5 percent of New York City's commercial taxes originate on Staten Island, according to the study conducted for the state commission by Berne, Netzer, and Stiefel. The NYU economists found that the cost of providing city services to Staten Island exceeds the revenues the borough generates by between $160 million and $180 million. This basic finding corroborates a study completed by the Mayor's Office, which estimated the difference between expenses and revenues at $199 million. These analyses point to the surprising conclusion that separation of Staten Island from New York would actually provide budget relief for the city. From a strictly economic perspective, the other four boroughs would come out ahead. But, as with most easy solutions to complex problems, it tells only part of the story.

State policymakers will ask some probing questions about the ability of the island to plug the gap between its revenues and expenditures. So will Staten Islanders. In Albany, the concern will be with the prospect of creating a major municipality that might eventually have to fall back on the state if it runs into financial difficulties. Among local residents, the financial considerations are more immediate, for it is they who will pay to make up the difference.

Yet responses to the state commission's poll suggest that self-determination matters

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enough to many Staten Islanders that they would be willing to pay a substantial price. Forty-nine percent of the respondents indicated that they would support a 25 percent increase in their property taxes in order to secede, 23 percent vowed to pay up to 50 percent more, and 13 percent were willing to double their property taxes as the price for independence. A 25 percent increase in property taxes on the island would generate $63.4 million in additional revenue. It remains an open question, of course, whether these commitments would hold up when the tax bills arrive.

Even without tax increases, it may be possible for an independent Staten Island to be economically viable. The city currently receives $658.1 million in revenues from the island. Add its share of state and federal aid ($283.5 million) and debt service reserve funds ($13.8 million), and Staten Island has an existing revenue base of $955 million—by most standards a strong financial foundation for a city of fewer than 400,000 people.

Moreover, the architects of a new city would have an unprecedented opportunity to shape a local government that reflects their best thinking and highest aspirations. A City of Staten Island could end up with a far leaner government than the City of New York. On the other hand, Staten Islanders are accustomed to a certain level of service they have historically received from New York City, and most residents probably will want to see this maintained. Some essential services now provided by the city would be costly for Staten Island to deliver itself. For example, there is no city jail in the borough. Independence would require that one be built. There is no primary-care city hospital. Should there be?

Most importantly, New York City is party to a host of collective bargaining agreements with its public employees, many of whom live and work on Staten Island. If these workers are not "kept whole" with regard to wages, pensions, and other benefits, their unions will pose a formidable, perhaps insurmountable, political obstacle to secession, even among Staten Islanders themselves. Twenty-six percent of the borough's residents are government employees, and two-thirds of this percentage work for the city.

The state commission plans a study on how Staten Island would actually operate as an independent city. But even if the economics and politics of secession could be resolved, opponents argue that there are larger issues at stake. As New York and other cities face the twenty-first century, the idea of a suburb-like county wanting to leave does not play well among those who work so hard to make urban America succeed. And there is the ever-present racial dimension. Is secession a manifestation of white flight taken to the extreme? If Staten Islanders are a beleaguered minority within New York City, are blacks within a conservative, largely white borough in an analogous position? Concerned about these issues, the local chapter of the NAACP has initiated its own study of secession.

If state policymakers do eventually support secession, the process will take on all the manifestations of a divorce. Lawyers will sort out common assets and debts in order to determine what belongs to whom. Tough questions will be asked: What will be done about the Fresh Kills landfill—will New York be charged for using it, will its use be limited to refuse from Staten Island, or will it be closed entirely? Should the ferry be run by New York, Staten Island, the Port Authority, or a private business? Will Staten Island have to purchase its water from New York City? Who owns Borough Hall? These and numerous other terms would be negotiated in the separation settlement. As with most divorces, the final event would be preceded by disbelief, trauma, and familiar advice.

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Bringing Justice Closer to Home

Thomas A. Reppetto

The New York Police Department is in the midst of a transition to community policing, an approach that emphasizes the control of "minor" crimes against public order. By targeting these offenses and becoming more involved with the community, police officers combat the atmosphere of fear and lawlessness in which serious crimes flourish. But community policing faces a serious impediment in New York: The city's already overburdened criminal courts are not capable of handling the flood of low-level cases that are likely to result from more-aggressive enforcement of laws against panhandling, disorderly conduct, graffiti, and other quality-of-life offenses.

A generation ago, a police officer who arrested a disorderly street character could bring the case to a neighborhood magistrates court, where it would be disposed of in an expeditious manner. Today all courts are centralized in each borough, and the workload is enormous. Many individual cases, particularly those involving low-level crime, can only be given short shrift. A police officer who makes an arrest can expect to be tied up for many hours and will likely be frustrated at the end, when the case is quickly dismissed or, at most, a token fine is assessed.

"To a large extent, fear of crime in New York City can be traced to the fact that, because the city's Criminal Court is unable to effectively contend with its enormous caseload, lower-level crimes cannot be appropriately punished," noted Chief Judge Sol Wachtler of the New York State Court of Appeals in his 1990 *State of the Judiciary* report. "The addition of police officers to the streets, without a large infusion of resources in the Criminal Court, will make the situation worse."

Even with such an infusion, however, there would never be enough judges available to deal adequately with minor crimes. A centralized, bureaucratic court system, overburdened with serious violent crimes, will treat public-order offenses as trivial matters. Thus, the courts must be decentralized so that members of the community can more closely monitor the justice system and ensure that their concerns are treated seriously. In order to accomplish this at minimal cost, the Citizens Crime Commission has proposed the establishment of neighborhood branches of the lower Criminal Courts that would be presided over by volunteer judges drawn from members of the bar. Since the volunteers would be unpaid, there would be no obstacle to assigning a sufficient number of them to deal with the new caseload of public-order offenses. Neighborhood courts might also lighten the burden on the "downtown" courts, giving regular judges additional time to handle more serious matters. Community courts could impose alternative sentences, taking advantage of local facilities such as drug-treatment centers and homeless shelters. In addition, arresting officers could more easily attend trials in the neighborhoods they patrol, saving valuable police hours. Currently, the NYPD must pay officers—usually at the overtime rate of about $30 per hour—to travel between the precinct and the central courts.

Community courts would also foster greater neighborhood involvement in the justice system. Local residents could easily attend trials and observe how quality-of-life offenses are handled. Legal scholar Raymond Moley observed that neighborhood courts "may become a vastly important

Thomas A. Reppetto is president of the Citizens Crime Commission of New York.

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educational force in the community," providing "a lesson in common sense, fair play, and respect for democratic institutions." Although he was writing about the old magistrates courts sixty years ago, his insight remains fresh today.

The proposal for community courts won the support of the chief administrator of the New York State court system, and the Office of Court Administration drafted a bill that would permit unpaid community magistrates to hear cases in neighborhood branches of the New York City Criminal Courts. Under this proposal, the magistrates would be appointed by the Mayor and be required to have five years of legal experience, including two years of criminal law practice. Their jurisdiction would be limited to Class B misdemeanors and below, offenses that carry sentences of three months or less and do not require jury trials. Early in 1991, Governor Cuomo budgeted $1.4 million for an experimental community court.

The first community court was proposed for the 72nd Precinct in Sunset Park, Brooklyn, which in April 1991 had been brought to full strength as a model of community policing. This dovetailed nicely with the efforts of Brooklyn District Attorney Charles Hynes, who was reorganizing some of his operations to make them more neighborhood-oriented and planning to initiate community treatment programs for low-level offenders. As luck would have it, a beautiful old magistrates court sat nearly empty less than a mile from the precinct station house. Unfortunately, in the struggles that developed over the state judiciary budget in 1991, funds for an experimental community court were eliminated. While exploratory efforts continue in Brooklyn, community courts are on hold for now.

An experiment that involves some elements of community courts is, however, underway in the Times Square area. Last year, Times Square business leaders became

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interested in opening a court to help deal with the disorder endemic to their community. The proposal involved setting up a local Criminal Court arraignment part with a regular judge. Each day the court would handle some sixty defendants charged with crimes such as theft of service, prostitution, petty larceny, possession of stolen property, unlicensed peddling, and low-level drug offenses. As in the Brooklyn proposal, facilities would be available for alternative sentencing. "This would be a problem-solver court focusing on immediacy rather than severity of sentence," says the plan's principal author, John Feinblatt of the Fund for the City of New York.

Although the Manhattan District Attorney's Office opposed the plan on the grounds that it would cost too much and duplicate existing services, Mayor Dinkins and Chief Judge Wachtler announced in July that the proposal would go ahead. A branch of the Criminal Court is scheduled to

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open early in 1993, next to a police station on West 54th Street.

Community courts are not without their detractors. Many lawyers, for example, are cool to the idea of traveling to outlying courts to appear before volunteer magistrates they have never seen before. More important, local residents are often uneasy about opening a facility that will bring criminals, many of whom are drug abusers, into the neighborhood. Local opposition, for example, prevented the Times Square court from being opened at its originally proposed site: the empty Longacre Theatre on 48th Street.

Such opposition can be overcome, however, if community courts serve as visible exemplars of justice and if they significantly improve the enforcement of laws that protect the quality of life. Community courts, like community policing, can be an effective antidote to the apathy and alienation from government that have become all too common.

Albany's Restoration Redlining

Kathryn Wylde

In 1980, the Longwood Historic Community Association received a grant from the National Trust for Historic Preservation to help finance restoration of nine abandoned houses in the Longwood Historic District of the South Bronx. This grant was part of a hard-won package of public and private funding intended to spur a renaissance in one of the most blighted parts of New York City, under the auspices of the New York City Housing Partnership.

The partnership planned a complete restoration of the buildings, including historic facades, at a cost of $75,000 per apartment. But the plan was vetoed by the State Historic Preservation Office, which insisted that the fire-gutted interiors of these private homes must also be restored to their original condition. These low-income apartments would have to include such amenities as fireplace mantels, hand-milled moldings, and specially fabricated reproductions of original doors. These improvements would have raised the renovation cost by some $20,000 per unit and been invisible to everyone except the residents of the houses.

The State Historic Preservation Office administers the Historic Rehabilitation Tax Credit, a federal program designed to encourage the preservation of historic buildings. This tax credit allows owners or investors to write off about 20 percent of the cost of rehabilitating an eligible property. Under federal guidelines, state agencies are given broad discretion to establish the architectural and aesthetic criteria used to qualify projects for the tax credit.

But if the state agency is too stringent in setting its requirements—as New York's Preservation Office is in demanding that the interiors as well as exteriors of buildings be restored—the effect can be to discourage historic preservation, particularly in poor areas. The Longwood homes, for example, remain derelict eyesores in an otherwise solid residential enclave within the South Bronx. Local homeowners have kept the empty buildings sealed. After more than a decade, the city has committed the subsidies needed to renovate the buildings to the local Landmarks Preservation Commission's standards, which do not require interior restoration of private residences. Renovation of the buildings will probably begin this year, but without the benefit of the tax credit.

The Historic Rehabilitation Tax Credit is the only source of public subsidy dedicat-

Kathryn Wylde is president of the New York City Housing Partnership.

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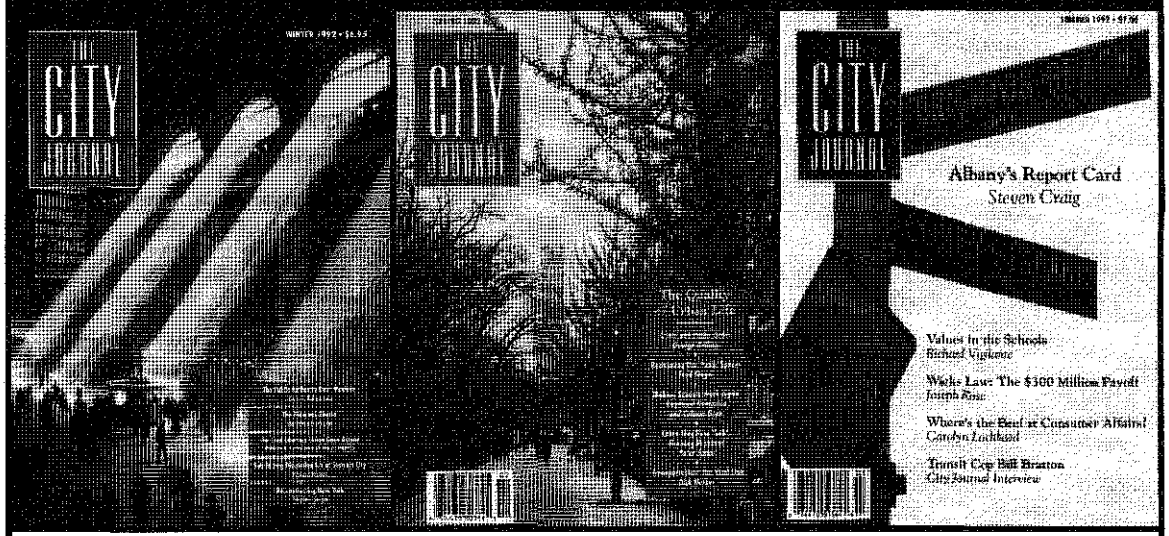

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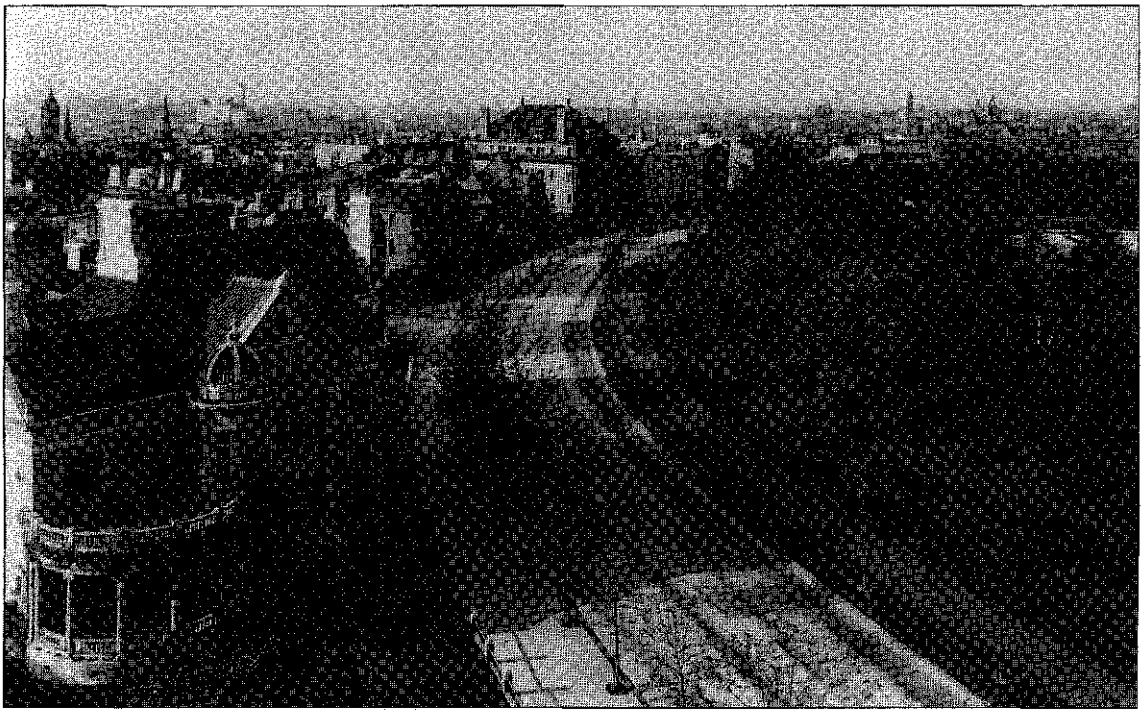

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ed to covering historic restoration costs. But the tax credit by itself is insufficient to pay for the state's high standards. That means an eligible property must also command a premium price in the marketplace in order for renovation to make economic sense. Thus, in New York the tax credit serves primarily as a subsidy for the wealthy.

The case of the Parc Vendôme, a former residential hotel in the Clinton Hill neighborhood of Brooklyn, illustrates the high cost of historic preservation—even preservation less extensive than that demanded by the State Historic Preservation Office. The building had been abandoned for twenty years and was slated for demolition to make way for a larger Housing Partnership construction project. But protests from preservationists prompted the city to withdraw the demolition order and commit extraordinary public subsidies to renovate the building for sale as affordable housing. The cost of saving the Vendôme—which involved virtually constructing a new building within the teetering historic facade—was $4.4 million, or $183,000 for each small two-bedroom apartment. Larger town houses on the site cost some 30 percent less to build. But despite the high cost, the renovation was not extensive enough to satisfy the state, which refused approval for the tax credit. The partnership is appealing to the U.S. Department of the Interior.

Onerous restoration requirements doom many historic buildings in New York's less affluent neighborhoods to decay and demolition. In the South Williamsburg section of Brooklyn, the Housing Partnership has been struggling for five years to get regulatory approvals for construction of 24 new affordable homes on vacant land surrounding an abandoned public school building. The project was held up because the school had been identified as a candidate for the National Registry of Historic Properties.

The partnership recruited a preservation architect to prepare a plan for rehabilitating the school and converting it into an apartment house. But there was no way to

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satisfy the state within the limits of an affordable-housing budget. Preserving the interior structure would have required rooms as big as the original classrooms and halls the size they had been when they accommodated hundreds of students. These requirements severely limited the number of apartments that could be built on the site, rendering the project uneconomical.

The partnership eventually gave up its efforts to qualify the school renovation for the tax credit. Meanwhile, over the years, the elements have undermined the structure of the school to the point where only a partial facade is salvageable. What remains of the building will probably fall down.

Innumerable buildings and entire blocks are being lost for lack of a realistic set of specifications and financial incentives for restoration. These properties are concentrated in older neighborhoods where rehabilitation is most desperately needed. Many are owned by the city and could be made available to developers at a nominal price if rehabilitation were economically feasible.

Yet none of this is required by the federal law establishing the tax credit, which gives great discretion to state agencies. The State Historic Preservation Office could, on its own, relax its requirements, making it easier to rehabilitate buildings in low-income areas. Such a change in policy would bring substantial federal aid to the state.

The most significant obstacles to effective application of the Historic Rehabilitation Tax Credit for affordable housing are the requirements of interior restoration, replication of original craftsmanship and materials, and maintenance of the original layout. The latter often runs afoul of federally mandated standards for wheelchair accessibility, which make it legally impossible to meet the state's requirements for preservation of historic doors and room sizes.

Preservation of a historic block or building is at least as important in poor areas of the city as in wealthy ones. The federal incentives for historic preservation that fuel redevelopment in Murray Hill, Greenwich Village, and Brooklyn Heights should be equally available to property owners and investors in Bedford-Stuyvesant, Harlem, and the South Bronx. But market values of fully rehabilitated property in these areas simply will not command the rents or prices necessary to pay for hand-hewn molding, plaster ceilings, and excessive amounts of lost space.

Congressman Charles Rangel has introduced legislation that would direct state regulators to be more flexible in granting federal tax credits for renovating low-income housing. Congress should pass it, so that poor communities as well as privileged ones can enjoy the benefits of historic preservation.

Underground Managers

Keith Elliot Greenberg

When Alan Kiepper became president of the Transit Authority in 1990, he quickly realized that the New York City underground could be a forbidding place. Ridership had been declining, and consumer surveys found that the fear of crime was the biggest passenger complaint. Graffiti, fare-beating, and the prevalence of vagrants were cited by passengers as creating a sense that the subway was an anonymous, dangerous place, ruled by no one.

"The attitude of the TA in the past was simply running and policing the trains," Kiepper says. "Interaction with the customer was not the first priority. A lot of

Keith Elliot Greenberg is a New York writer.

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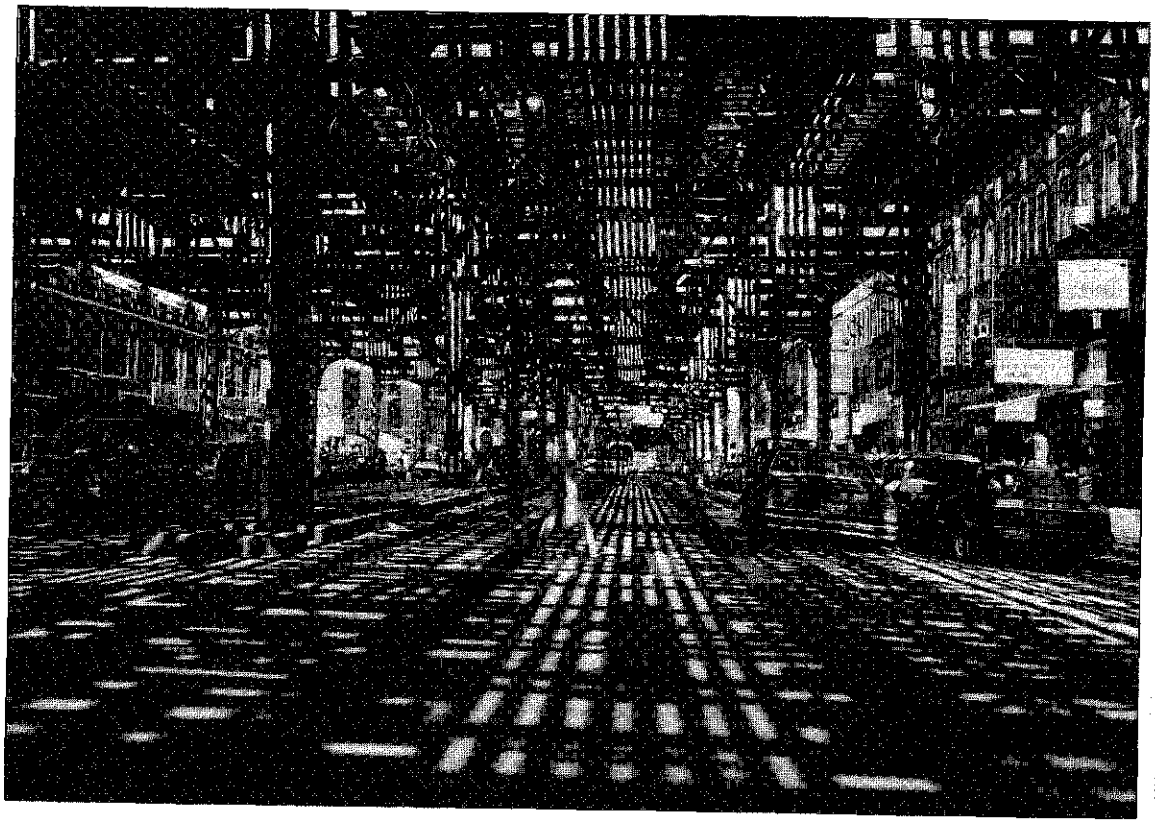

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people have left the system, and we're only going to attract them back by being more hospitable."

Substantial efforts had already been made to improve the subway. The Clean Car program, begun in the early 1980s, had all but eliminated graffiti from the trains. A Transit Police effort called Operation Enforcement, which took an aggressive approach to controlling disorderly conduct, was being integrated into the department's standard procedures by then-Chief William Bratton.

The stations themselves, however, were often dirty, disorderly, and in a state of disrepair. Kiepper realized that these problems could only be managed if someone were on the scene to take care of them right away. But no one was really in charge of the stations: TA superintendents, responsible for as many as twenty stations, were little more than invisible bureaucrats.

Thus, Kiepper created a new position in the TA hierarchy: station manager. Each station manager oversees the affairs of either one large station or several small ones; there are currently 31 managers covering 125 of the system's 469 stations. On call 24 hours a day, they feel a sense of ownership for their assigned posts. The idea is to convert the stations under a manager's charge into a little neighborhood, with the manager in the role of the old-time ward boss, familiar with and responsive to the needs of his community. Police assigned to the sector take on the attitude of cops on the beat rather than enforcers roving through a huge system. And commuters, noticing this personal touch, begin to treat the station with more consideration, feeling obliged not to crank up the tape player or litter the platform.

Station managers mingle with their customers. They stand near the turnstiles and dispatch scheduling information, they

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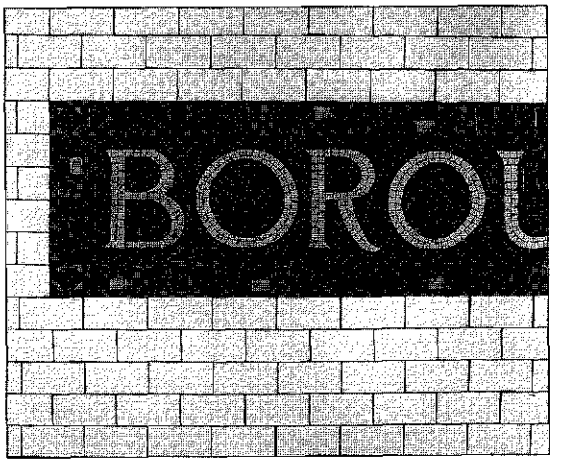
survey the attitudes of people who work near the station, and they help out customers who run into trouble. When the trains are running late, for example, Eugene Smith, manager of the Grand Central subway station, hands out free bus transfers. He's even been known to write "Train Delay" on the back of his business card and give it to corporate employees so they can explain their tardy arrival at work.

Managers often venture into the community beyond their turf, speaking to community boards, schools, and organizations



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for the disabled. In one case, a station manager went to a junior high school principal to complain about students cutting across the tracks.

A manager is also responsible for keeping his station in good repair and notifying TA officials when things need to be fixed. Repair crews must respond within a set period, depending on the seriousness of the problem. If a manager reports a Code A repair, he has spotted a problem like a broken step on which a passenger might be injured. Repair crews must respond to the request within three hours and fix the trouble within a day. A Code B might mean a floor drain is needed to eliminate water on platforms. Crews have three days to correct the problem. A Code C is anything that is not a priority, like a column needing a paint job. That can take up to sixty days.

Roosevelt "Ray" Washington, a fifty-year-old native of North Carolina who spent six years as a token clerk, manages six stops on the D and Q lines in Brooklyn. When Washington started, commuters at the Sheepshead Bay station grumbled about the darkness under the trestle over the East 15th Street entrance and the water that leaked onto the newspapers at the concession stand there. He reported these problems, and within a month three high-powered sensor lights had been installed and drip pans had been affixed to the underside of the trestle. In the rafters on the other side of the station, pigeons were roosting and shelling passengers with droppings. Washington spoke to his repair crew and came up with an easy solution: Steel netting secured across the bottom of the rafters now keeps the bothersome birds out. Before the station-manager program, problems like these often lingered for months before being remedied.

Washington recently won an important amenity for the Sheepshead Bay station: a renovated public restroom. After listening to commuters complain about the inoperable facility, Washington rallied the various departments of the TA to replace the old plumbing, tear out the walls, install new tiles, and renovate the ceilings. He got assurances that the restroom would be cleaned each day and patrolled regularly by police to prevent vagrants from making it their home. By contrast, four stops away at the Coney Island terminal, which remains an unmanaged station, the men's room is filthy and several toilets are broken.

When the homeless bed down in his stations, Washington is respectful yet firm. He'll usually stir a sleeping vagrant with a loud hello, followed by, "Sir, there's no sleeping on this bench." Generally, the man will sit up. "If he's sitting," Washington says, "he's no bother."

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At Grand Central, Smith says he has had to make some compromises. While Washington must deal with two or three vagrants a day in each of his stations, policing the homeless would be a full-time job for Smith if he enforced regulations to the letter. Thus, he allows them to sleep on the benches, but not the floor. As long as they're not obstructing passageways or harassing commuters, Smith is satisfied.

Station managers are charged with building the morale of TA workers as well as customers. They oversee the token clerks, cleaners, and repair crews who work in their stations. While the managers offer positive reinforcement—Smith, for example, has initiated an employee-of-the-month program—some TA workers bristle at the added accountability. "They try to be so perfect, they're petty," gripes a clerk from Queens, once written up for neglecting to display his badge in the window of the token booth. "I hope the program bites the dust." But the program offers more-diligent TA employees an opportunity for career advancement. Most managers are former token clerks who worked their way up to the $60,000-a-year position.

The station-manager program is expanding. By the end of 1992, the TA plans to have managers assigned to two hundred stations; every station is to have a manager by 1995. This is welcome news to those who had concluded that the vast, crowded New York subway system, perhaps New York's most vital artery, is beyond manageability.

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FORUM

A Tale of Two Cities

Ester R. Fuchs

Ester R. Fuchs's new book, Mayors and Money: Fiscal Policy in New York and Chicago, *explores the political culture of those two cities and how it has affected the governmental structures and fiscal policies of each. Fuchs, an associate professor of political science and director of the Urban Affairs Program at Barnard College, Columbia University, discussed her book at a recent* City Journal *Forum.*

Why is it that some cities have a history of balancing their budgets while others do not? It may seem obvious that local politics largely determines a city's fiscal affairs. But when New York had its fiscal crisis in 1975, many people didn't see it that way. Instead, most observers pointed to the local economy, financial management, even to the personalities of individual politicians.

What seemed to be missing from the debate was the role local politics played in the city's fiscal instability. Most people dismissed the idea that local politics mattered. They said the city was at the mercy of national and international economic trends over which local government officials had little control.

If this were true, it would have to be true for cities everywhere. Yet Chicago, where I happened to be living during New York's fiscal crisis in the mid-1970s, had balanced its budget, even though it had the same economic problems as New York: the loss of its manufacturing base, the flight of the middle class to the suburbs, and an increase in its poverty population. In fact, quite in contrast to New York, Chicago has been a fiscally stable city over time.

I looked at the differences in how the political systems of these two cities had evolved. During the 1930s, both New York City and Chicago had fiscal crises in which they were locked out of the bond market and had to go to their state legislatures to have their debt restructured. Virtually everything we associate with New York's 1975 fiscal crisis occurred in New York and Chicago in the early 1930s. Unlike New York, however, Chicago used its fiscal crisis to restructure its local policy, putting the city on a stable footing in the long term.

During the Depression, Chicago didn't begin spending on welfare relief until the Federal Government made money available. Moreover, Chicago's Mayor, Ed Kelly, used the Democratic Party machine to consolidate power in the Illinois State Legislature. The machine's clout enabled Chicago to create a system of service delivery which included special districts and the county government. This enabled the city government to spread the fiscal burden outside the city limits. The city of Chicago avoided budgetary responsibility for such costly services as education, public welfare, hospitals, and transportation. At the same time, it kept political control of these services. When a regional district or authority was created, the Mayor would appoint the majority of its board members. But the city itself had responsibility only for such basic services as police, fire, and sanitation.

Meanwhile, New York took on more and more new services. In 1929, New York spent about 39 percent of its budget on basic services, while Chicago spent 74 percent. By 1975, only about 16 percent of New York's budget was being spent on basic services, while in Chicago the proportion remained at a high 57 percent.

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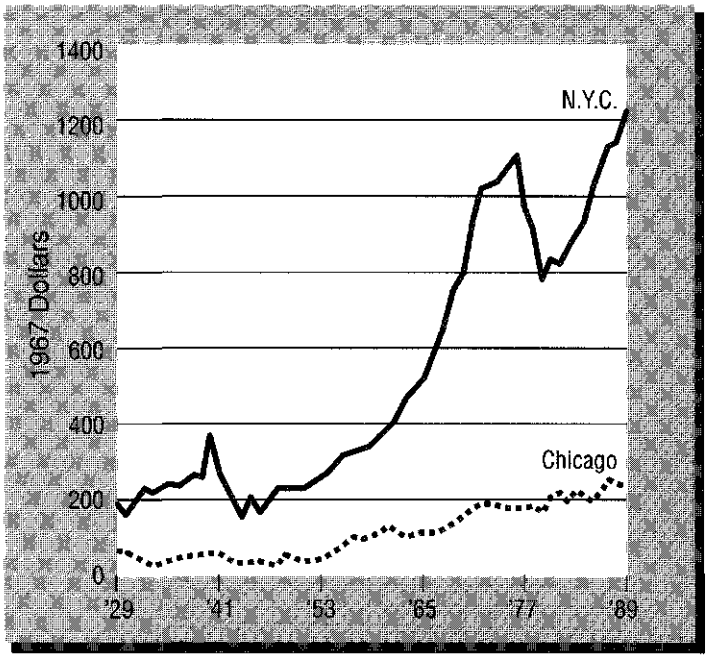
Per Capita Municipal Expenditures



Chicago's mayors were also able to control fiscal policy by using the political machine to control the City Council and local political interest groups. In New York, however, Fiorello La Guardia reformed the city by destroying its political machine. As a result, New York's mayors are weak politically and need to placate interest groups in order to get re-elected. New York politics is characterized by what one of my colleagues calls "street fighting and pluralism." Mayors end up giving in to the loudest interest groups. They resolve political conflict by spending money. That's why city spending rose dramatically in the 1980s, based on a temporary improvement in the economy that turned out to have no long-term significance. In Chicago, the machine crushed this tendency—to the benefit of the city's fiscal policy.

I examined fifty years of budget data and found that in New York, inflation-adjusted spending rose continuously between the Depression-era fiscal crisis and the 1975 fiscal crisis, except during World War II. In Chicago, there were periods when the budget rose and periods when it declined.

One of the interesting differences between machine politics and interest-group politics is that with the former, as in Chicago, the payback usually comes in the year immediately after the election. In New York, the payoffs always come *before* the election. When you have to pay in advance for your support, rather then rewarding it after you've been elected, it's usually more expensive.

New York's reformers traded away what was seen as a corrupt city machine, supposedly to get good government. But not only didn't they get it, they also lost the positive part of machine government—the accountability it provided. There's no political accountability in reform cities, and there's no good government either, since political corruption continues. That seems to be true no matter what kind of government you have. Reform government has not brought efficient service delivery, nor has it remedied inequalities in service delivery. On the whole, the destruction of New York's political machine turned out to be a poor trade for the city.

New Yorkers have great expectations each time they elect a new mayor. But it is very difficult to change a structure that has been in place for so long. Unless the underlying political structure is dealt with, the best intentions to achieve fiscal stability and effectively provide essential city services will not be realized. ■

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No Excuses for Failure

URBAN SCHOOLS IN TRANSITION

Nathan Glazer

EDITOR'S NOTE:
In the 1980s, an innovative set of reforms transformed the public schools of East Harlem. The secret of success was giving teachers the opportunity to create schools of their own design and parents the freedom to choose among them. Now the schools on the Upper West Side have adopted the East Harlem model. Teachers are pouring their energies into creating new schools, and parents and students of the school district are greeting the reforms enthusiastically.

The bureaucratic pattern that characterizes American big-city schooling was established in the first decade of this century, inspired by the model of the factory, in response to the enormous influx of students during that decade of mass immigration. The pattern had its successes: It educated the greatest wave of immigrants in U.S. history to the levels and standards considered acceptable at the time.

But the model has been under attack for thirty years or more, and it may not survive much longer. The Chicago public schools have been radically reorganized, with the central bureaucracy sharply cut and a somewhat chaotic and overly complex system of local school management established. Vouchers are again political news: They almost made it to the state ballot in California, will be on the ballot in Colorado, and have been proposed nationally by a Republican President. Educational corporations are now running or will soon be running schools in Miami and in Baltimore. Minnesota allows students to cross district lines to attend the school of their choice, and Milwaukee subsidizes the escape of poor children to private schools. Chris Whittle has garnered enormous publicity and recruited prominent thinkers in the world of education—Chester Finn, John Chubb, Benno Schmidt—to help establish a profit-making nationwide network of schools based on a new model.

New York City harbors its own quiet revolution in the schools: Public-school choice, pioneered in East Harlem, has now spread to the Upper West Side and is making an impact elsewhere in the city as well. The key term under which the revolution markets itself is "choice," but that term scarcely encompasses the range of changes that brought radical improvement to the schools of East Harlem's District 4, one of the poorest, most distressed, most problem-ridden sections of the city. The transformation is now serving as a model for the West Side's District 3, in an area with more middle-class residents and more social advantages than impoverished District 4. It is typical for models of change to move from more favored schools and districts to less favored ones. Here the direction has been reversed, as light streams upward from a

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place one might think was desperately in need of help from outside. The District 4 story has been told many times, and a full account of what was accomplished there will be available in a few months, when Sy Fliegel, a major engineer of the change, publishes his book *Miracle in East Harlem*, coauthored by James MacGuire.

District 4 is one of the 32 community districts established in 1969 in the wake of devastating conflicts and strikes over the control of schools and the appointment of principals and teachers. The establishment of these districts was a step toward decentralizing the New York City schools and giving parents greater power in the school system. The community school districts have responsibility for elementary, middle, and junior high schools; the central Board of Education retained control over high schools and overall responsibility for the whole huge system.

The conflicts that led to this reform were spurred by the enormous demographic shift in school population that had begun in the 1940s. The number of white students in city schools had declined, while the black and Puerto Rican student population had increased. One of the objectives of decentralization was to transfer power from white school administrators to black and Hispanic administrators. In this respect it has been successful: The number of black and Hispanic administrators and principals has increased greatly, and there are now hotly contested elections for Community School Boards. It is true that few bother to vote in these elections, but the Community School Boards do have the power to select personnel, including a district superintendent, from among the qualified candidates. There have been scandals involving some school boards, but many districts operate smoothly, with minimal conflict and with long-term superintendents.

In District 4, beginning in the mid-1970s, an energetic and open-minded superintendent, Anthony Alvarado, provided an umbrella for reform. If teachers were frustrated and came to Alvarado with an idea for a new kind of school, he would tell them to try it. In 1976 he hired Sy Fliegel, who had been connected with a number of innovative and successful schools, as director of alternative schools. In this position, Fliegel fostered the establishment of a good number of new schools, to add to those that were already in the district. Central Park East, an alternative school that had been established before Fliegel's arrival by Debbie Meier, achieved early national recognition—as she did too, when she got a MacArthur "genius" grant. Many other innovative schools were subsequently established.

For the most part, the alternative schools were established at the middle school (grades 5 through 8) or junior high (grades 7 through 9) level, where, to the minds of many teachers, the problems of public education are most acute. These alternative schools began with a few teachers, an idea—a "vision," if you will—and a bit of space in an existing school building. They recruited from among the students completing elementary school. Contrary to the usual practice of assigning students to schools "zoned" on the basis of residence, the student entering middle school now had the alternative of going to a distinctive school—perhaps one that emphasized science or the arts; or that tried a different approach to education, more or less progressive; or that focused on students with special problems or talents. The enterprising teachers who began these schools received support from the District Office: classroom space, the right to recruit a few like-minded teachers, and perhaps some money (though very little was available beyond what formulas dictated). The organizers of these schools, in short, got a license to try out their educational ideas in East Harlem and to recruit students for their new schools.

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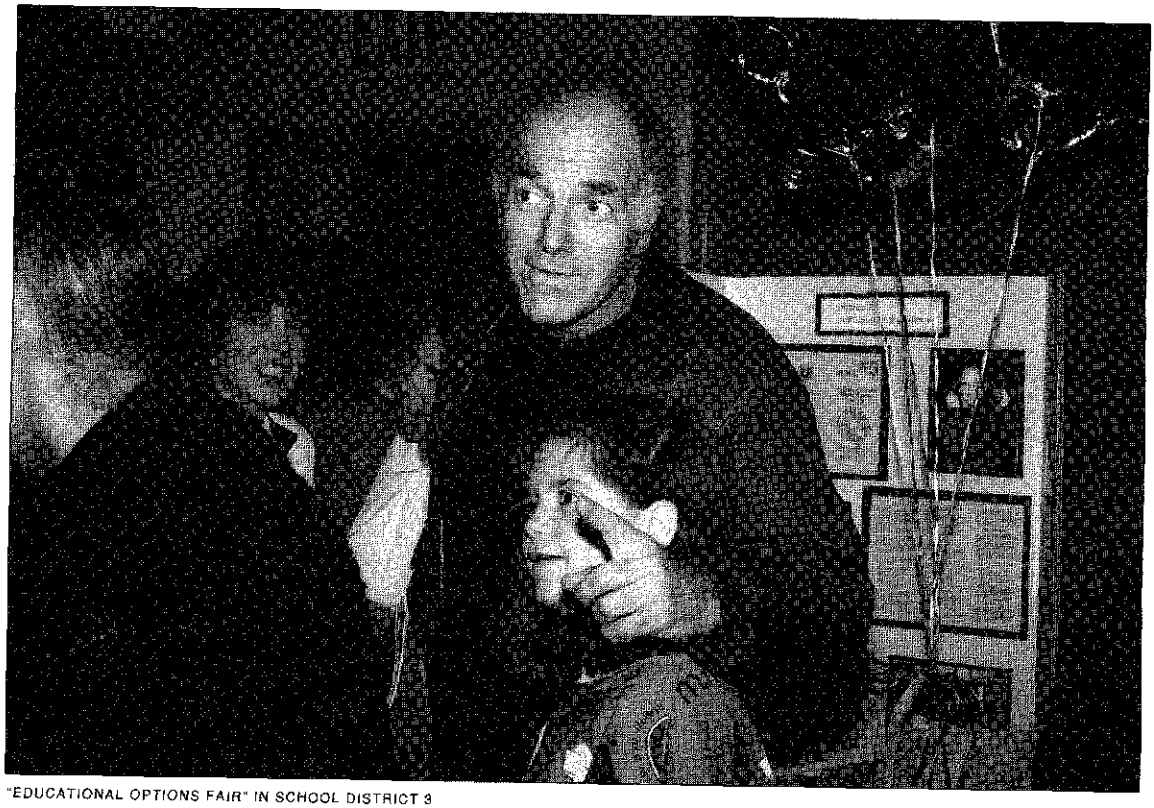
But it was not simply a matter of letting the market decide: The new schools were monitored by the Office of Alternative Schools, which was prepared to close schools as well as encourage new ones. The ultimate test was not only popularity, but whether these schools succeeded in producing academic achievement. Indeed, a number of alternative schools in East Harlem were considered academic failures and were closed.

Within a few years the number of alternative schools burgeoned, and all zoned middle and junior high schools in District 4 were eliminated. After elementary school, every East Harlem student and his parents were confronted with the need to choose a school. All the problems involved with this process were faced and overcome: getting information to parents and students about the available alternatives, finding a place for every student (because the alternative schools also had the right to choose whom to admit), and defining the organizational position of the alternative school and its director in a system in which the norm was a building designed for a thousand students and run by one principal. In time, the district's innovative practices were applied to high schools as well: Colman Genn established a new high school for science and mathematics in the grand old building of the former Benjamin Franklin High School on the East River Drive. Debbie Meier's progressive school grew to include three elementary schools and one high school. New York City's Board of Education, although it controlled the high school division directly, accepted the new high schools, which were under the control of District 4. In fact, they have since become the model for a program to create many small high schools in New York City.

District 4's alternative schools even attracted students from outside East



"EDUCATIONAL OPTIONS FAIR" IN SCHOOL DISTRICT 3

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Harlem. Their educational success was so impressive that hundreds of parents were willing to send their children to school in a neighborhood marked by abandoned buildings, stripped automobiles, and open-air drug markets. The district also attracted lively and innovative teachers who saw the opportunity to do interesting things.

Because of District 4's success, Superintendent Anthony Alvarado moved up to become chancellor of the New York City schools. (He served only briefly because of a scandal about his personal finances, and is now again a district superintendent.) His replacement in District 4, Carlos Medina, maintained and expanded the alternative school program.

In the end, of course, school reforms—whatever the enthusiasm they arouse among teachers, students, and visitors—must be measured by what they produce: How well do the children do in academic subjects and in the contest for the advantages that permit access to better education and eventually to better jobs? In this respect, District 4 has done very well. It had been one of the worst of the city's districts in reading and math scores in 1973. Despite all the handicaps presented by its neighborhood and the poverty from which most of its children came, the district rose by the late 1980s to a position in which its students did about as well as the children of New York City generally. By other measures, such as the number of children placed in New York City's selective high schools on the basis of competitive entrance tests, it did much better than the average district. The two high schools developed by the district have had college admission rates in the 90 percent range. While in recent years there have been problems connected with transitions in leadership and a sustained attack on District 4 by the budget authorities of the central board, it continues to maintain its gains.

"Choice" was the term selected to describe the character of the revolution in East Harlem, but parental choice was only part of the story. Indeed, the story begins with educational innovations, rather than choice, which was entailed only because the innovators had to find students on whom to try their ideas. A key characteristic of the innovations was that they came from the teachers, not from top administrators. Alvarado and Fliegel had no great reform scheme for East Harlem. Rather, they made the explosion of new schools possible by enabling teachers to start up their new ideas in short order: no long planning periods, no extended grant proposals, no elaborate outside evaluations. They realized that the desire to innovate, the enthusiasm for the new, can wither rapidly if one must maneuver through a gauntlet of requirements and procedures.

Another crucial feature of the East Harlem story was that these were all small schools, very often starting with one grade, a few dozen students, and a few teachers. They never grew beyond a few hundred students and a dozen or so teachers. Perhaps this was as crucial as choice, and as radical an innovation in a system where a junior high school may run up to 2,300 students, with twenty classes in each grade.

But choice was crucial, too: the power of teachers to choose what kind of school they thought would work best, the power to interview and select students, and the power of parents and students to choose a school with a distinctive program. It is the power to choose on both sides that makes a community, that evokes energy from teachers that the rules of rigid bureaucracy constrain, that inspires commitment from parents and indeed from students. This is my interpretation of the remarkable success of District 4, and of the significance of choice within the complex of innovations that made a successful inner-city school district.

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District 4's success won it national recognition and made it a model for other districts in New York City. The first Community School District to adopt the District 4 model in full is District 3, across Central Park to the west. District 3 includes the Upper West Side, which is much more socially and ethnically diverse than East Harlem. District 3's school population, however, is rather less white and middle-class than one might expect: In February 1992, the ethnic census showed that District 3 was 39 percent Hispanic, 48 percent black, and 11 percent non-Hispanic white. District 4 was 60 percent Hispanic and 37 percent black. More of the Hispanic children in District 3 than in District 4 are recent immigrants, and more are Dominican and fewer Puerto Rican.

The two districts have student populations which are similar in many ways. Both have some 14,000 students in their elementary, middle, and junior high schools. Their attendance rates are similar. Somewhat fewer District 3 students are eligible for free lunch (77 percent against 83 percent in District 4). The Limited English Proficiency rate, which legally defines children eligible for bilingual education, is about the same: 12 percent in District 3 and 10 percent in District 4. There are somewhat more minority teachers in District 3 than District 4 (48 against 43 percent), about the same teacher turnover rate (24 and 23 percent—higher than the city average of 14 percent), similar average teacher salaries ($40,000 for District 3, $41,000 for District 4), and the same median number of years teaching experience (12).

District 3 already had some alternative schools when its superintendent, Anton Klein, decided to explore the possibility of transforming all its middle and junior high schools into alternative and mini-schools along the model of District 4. (Mini-schools are under the authority of the principal and part of his program; alternative schools, while in his building, are independent.) The existing alternative schools were in the southern, more middle-class, and whiter part of the district, and they undoubtedly reflected the interest of West Side parents in getting a better education for their children than the conventional junior high schools provided. When Klein became superintendent in 1986, he noted that parents in District 3 were sending their children into East Harlem to take advantage of District 4's alternative schools. Thus, one motivation for introducing change was to keep the children in District 3. Another was the disastrous circumstances of Harlem's Wadleigh Junior High School, which had fallen on evil days. It had once been a selective school for girls. One can get a glimpse of its former grandeur from Sara Lawrence Lightfoot's biography of her mother, *Balm in Gilead*, which describes how a bright Southern girl in the 1930s went to Harlem to live with her aunts only for the opportunity to go to the superior Wadleigh. The grand red brick and limestone school, with its elaborate architectural details, reflected a more ambitious time in New York City's educational history. But it had deteriorated to the point where it was physically in terrible shape and the junior high school it housed was educationally in worse shape.

Klein recruited John Elwell, who had taught in District 4 and founded two alternative schools there, to come across the park, work on the problem of Wadleigh, and become District 3's director of alternative schools. Klein also recruited Bill Colavito, who had likewise taught and directed an alternative school in District 4, to come to District 3 as principal of an intermediate school—with the clear mission of transforming it into a complex of mini-schools and alternative schools. In 1990 Klein asked the Manhattan Institute's Center for Educational Innovation, which employs several of District 4's pioneers, to propose a plan for transforming the middle and junior high schools into a system of alternative and

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mini-schools. That plan, based on the work of the District 3 Schools of Choice Task Force and prepared by Raymond Domanico, Sy Fliegel, and Mary Anne Raywid, was approved by the Community School Board. It goes into full operation in the 1992-93 school year. The year 1991-92 was devoted to engineering the shift: educating parents, placing students, and starting the new schools.

In June 1992, I visited five of the old and new alternative and mini-schools and spoke with their directors, as well as with John Elwell; Elizabeth Sostre, coordinator of parent information services; and Bill Colavito, whose Intermediate School 44

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now houses six mini-schools and two alternative schools. I saw the physical settings of the alternative and mini-schools, the students working in them, and the facilities available. Though visiting schools hardly prepares one for any definitive evaluation—that will come in a few years when the schools have established track records—I could not help but be impressed by the enthusiasm of the directors and teachers, the purposeful busyness of the students, and the energy and optimism of the district administrators who are engineering this change.

The reorganization of Wadleigh into three alternative schools was a key test in developing the new choice program for District 3. Elwell organized a series of meetings involving teachers, community leaders, and consultants. They developed a plan to close Wadleigh, get it into the school system's capital budget for a complete rebuilding, and set up task forces to plan three new schools, each with a different theme, to replace the old Wadleigh. Colgate-Palmolive contributed $150,000 toward the undertaking.

Setting up a new school is not a simple task. It involves endless meetings of teachers, parents, and administrators. It requires recruiting and interviewing students and explaining one's approach to their parents. Why are teachers willing to work so hard when they get paid no more than those who simply fulfill their formal responsibilities, leave at three o'clock, and take the summer off? I posed this question to Susan Winston, director of the School for Writing and Publishing at Wadleigh. Because she has autonomy and power, she answered. That power, it was clear, was the power to provide an education she believed in: She really had no other power.

One essential step in establishing the choice program was the publication of a directory of the new schools for parents. It describes the various schools that are available and lays out the process for selecting one. Descriptions of schools are printed in Spanish and English on facing pages, and forms are provided for parents to select their top three choices.

The *Community District 3 Middle School Directory* is a fascinating document. It lists 25 different schools, many of which had already existed, but some of which were newly launched. Most of the schools require applicants to be interviewed. The interview, one gathers, is informational on both sides. Very few of the schools can be considered highly selective, but students select themselves in or

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out on the basis of the information provided and the interview. Some students simply won't go for a math/science school, and others will say "no thanks" when they learn they must take Latin, a requirement at the Columbus Academy. All the schools list "admission requirements," but not of the formal sort one might expect. To be admitted to the Math/Science Academy, for example, one must display a "commitment to the school's philosophy, that hard work and high standards of academic achievement are necessary for success." The Satellite School for the Performing Arts requires students to "demonstrate a love of music and a desire to participate in musical activities and organizations such as an orchestra." The Lincoln Academy for the Sciences looks for "an interest in the sciences and the maturity to take advantage of the programs and options available." Some schools have elaborate processes for gauging applicants' commitment. At the Crossroads Academy, "parents must accompany their children for an interview to acquaint themselves with the school. Students are required to spend a morning at the school." What is most striking is how often the bottom line in the description is that "selection is made by the director and assistant director after consultation with the teachers."

All this is very different from what we expect of public schools in the sixth grade, and it certainly raises some questions: What about discrimination, what about appeals, what about arbitrary injustice? But it is the effort to deal with such issues formalistically, mechanically, and bureaucratically that contributes to the ruin of public education. In District 3, the director of alternative schools trusts his school directors and the teachers, and they are more effective and committed as a result. When one speaks with them, it is clear that one of their main objectives in selecting students is diversity: ethnic diversity most significantly, but also diversity in capacity. There is no tracking within the alternative schools, though in principle it is possible because some have sixty students or so in each grade. But they are small schools, in which every student is known to the director and teachers, and in such schools, what need is there for formal tracking?

The publication of the school directory was only one step in the process of educating parents about the new options available for their children. "Educational Option Fairs" were held, at which teachers and directors of the alternative schools were available to explain the character of their program and answer questions from parents and students. The attendance was impressive—school district officials say that 1,500 parents and teachers attended the fairs. (The number of students who had to be accommodated in the alternative and mini-schools was 2,200.) Teachers set up tables with information about their schools, and were actively engaged in marketing their programs and recruiting students. This is not entirely new in the New York City school system: With the rapid growth of options in the high school program, there are similar fairs to assist high school choices.

After all this, there is the hard reality of assignment: Some students and parents will be disappointed. Not every student can get his first choice, though the district estimates that 80 percent got their first or second choice. One of the chief questions raised about such choice programs is how one deals with such disappointments. But as one asks this question, one suddenly is checked by another: How different is this from what parents and students go through when applying to private schools? Why should one expect the process would involve more inequity and heartache in the public sector, or that parents and children there are less able to deal with disappointment?

Some schools, of course, are more popular than others. The Computer School, one

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of the oldest and best-established of the alternative schools, had sixty places for new students and three hundred applicants. Its announcement said there would be interviews, but the overworked teachers were able to interview only half the applicants. While I was visiting, Elizabeth Sostre told the school director that he would have to drop the interview requirement in the future because parents were disappointed when an interview was promised and couldn't be scheduled. This, it strikes me, is the way things should work—through informal communication and common-sense decisions.

A school's popularity is not solely the result of its real or perceived academic quality. Many parents will choose schools because they are close to home, and Upper West Side parents may be reluctant to send their children to Harlem. But academic quality did play a substantial role in parents' decisions. The mini-schools of Joan of Arc Junior High School on West 93rd Street, for example, were undersubscribed, and an administrator told me this was for good academic reasons. As a result, Joan of Arc has decided to revert to the standard junior high school format. Problems of oversubscription are happier ones, but are not necessarily simpler to deal with. Because of the popularity of the Computer School, the director of alternative schools is trying to create another science-oriented school. The process of creating new schools to supplement successful ones and modifying (or closing) schools that are not attractive can be difficult, and there will certainly be conflicts and disappointments along the way.

One question that inevitably comes up when considering the experiments in Districts 3 and 4 is why students at such a tender age need distinctively varied schools. Shouldn't essentials be predominant in the education of 11- and 12-year-olds? But these questions are misleading, for the new schools are not really

Themes infuse a common curriculum, making it more appealing to the students

that highly specialized. The Computer School does not spend all its time on computers, the Environmental School all its time on the environment. Rather, these are themes that are used to infuse what is in large measure a common curriculum, making it more appealing to the students. The lively School for Writing and Publishing (SWAP), for example, emphasizes writing, but students also publish and sell their work, in forms ranging from greeting cards to books. I was given a copy of a major production of SWAP, *Open Minds*, a 132-page illustrated paperbound book on the customs and characteristics of three New York City ethnic groups—Chinese-Americans, Jewish Americans, and Italian-Americans. It could certainly be faulted, but was impressive as the product of 12- and 13-year-olds.

A common pattern in the alternative and mini-schools is regular academic work in the morning, the special theme in the afternoon. In any case, the directors and teachers in the alternative schools must always be mindful that junior high schools in New York City must test their students in reading and math and that the students must take state Regents Competency Tests in various subjects. This means that whatever the distinctive twist of a school, much of its work is devoted to the standard curriculum. Moreover, school leaders know very well that their students will have be prepared to go on to high school. And if District 4 is the model, one way they will reckon their achievement is by how many of their students make it into selective high schools.

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What about bilingual education, what about "special education" (education for what used to be called the handicapped, who, with the expanded definition of this condition, make up about one-seventh of all New York students)? The District 3 directory lists three bilingual programs. One is the Bilingual Computer School, which "requires fluency in Spanish," a way of making a Spanish-speaking background a positive characteristic rather than a liability. A few of the schools seem distinctively designed for students eligible for special education, who are, of course, varied in the nature of the conditions that make them "special." One may be concerned about the isolation of bilingual and special-education students, but this is a common problem throughout the school system. Alternative schools do not seem to make it any worse.

What about racial separation? The northeast part of District 3, in Central Harlem east of Morningside Drive, is mostly black, and Wadleigh is in a black neighborhood. Its three successor alternative schools are also predominantly black. Indeed, one part of the design of the Wadleigh alternative schools is to reserve most of their places for neighborhood children. Superintendent Klein explains: "The Harlem community—that is, those active within it—said to us, 'You tell us you are establishing quality schools. Why didn't you establish quality schools in Harlem, as well as the Upper West Side, earlier? If we are to have quality schools in Harlem now, we want to be able to go to them, and reserve them for ourselves.'" Yet one can safely say that the shift to alternative schools and choice does not exacerbate the problem of racial separation, and may help modestly by giving students of all races the opportunity to attend schools outside their immediate neighborhood.

District 3 is bubbling as it moves into its new phase. Some improvement has already been noted as the district has established more alternative schools: A few years ago, District 3 was near the bottom of the 32 New York City school districts in reading and math scores. It has moved up to twentieth place. One cannot help but be impressed with the enormous efforts that are being poured into this enterprise by the teachers, alternative school directors, and district administrators; surprised at the enthusiasm the enterprise has evoked; and charmed by the multifarious and surprising activities in which the students are engaged. It is all very different from the huge New York public schools that I attended two or three generations back and about which, at that time, I had no complaint. But today the teachers are different, the students are different, and society's needs and demands are different.

Educators have argued a great deal about choice, and as they have argued, choice has become more and more possible in the New York City public schools. Choices are being expanded throughout the city through the creation of new, small high schools and through a "New Visions" program in which teachers and administrators are being encouraged to propose new models for public schools. District 3 has now joined District 4 in transforming its middle and junior high schools into a full system of choice—one that encourages enterprise among teachers, creates new schools, and educates parents and students about a new approach to public education. I believe it can only be for the best, but we will have to follow the experience of the remodeled District 3 to see if this faith in the new model is justified. ■

This article was based on research performed during Professor Glazer's tenure as the Manhattan Institute's 1992 Citicorp-Wriston Fellow. Professor Glazer will conduct a follow-up study in 1993, evaluating the results of District 3's choice program.

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New York's Vanishing Supply Side

Stephen Kagann

Two crucial facts have been all but ignored by policymakers and analysts responding to the current recession in New York City. First, the city's economic crisis is more serious than is generally recognized, and far worse than in the rest of the country. Second, the bulk of the blame for New York's sour economy rests not with the national economy or the Federal Government, but with the fiscal policies of the city and state. Over the past thirty years, New York officials have shown an appalling lack of interest in the city's economy, except when the situation has become so bad that tax revenues decline precipitously. This trend has continued under the present administration, despite the severity of the current recession.

How severe is the recession? Figure 1 compares the changes in employment in New York with the nationwide rate between April 1989, when employment in the city began to decline, and June 1992. During that period, employment in the city fell by 370,000 jobs, or 10.2 percent. Employment in the nation reached a pre-recession peak of 110.3 million in June 1990, then dropped by 1.8 million jobs—a mere 1.6 percent—by May 1992. To put it another way, New York City accounted for nearly one in five jobs lost nationwide during the current recession, though only about one in 35 Americans works in the city.

Grim as these figures are, they do not tell the full story. While total employment is down by 10.2 percent, employment in the city's private sector is down even more sharply: by 11.4 percent. As the proportion of workers employed by the government continues to increase, the tax burden on New Yorkers grows heavier. As we shall see, this damages the private economy still further, particularly in recessionary times.

There remain two private-sector growth industries: social services and health care. These industries are in good measure supported by public policies and paid for by tax dollars. When these fields are omitted from the calculation, the remaining private-sector job rolls are down nearly 15 percent—almost one in seven jobs—since April 1989.

The city's economy is in deep trouble. Yet Albany and city hall have been reluctant even to admit there is a serious problem. They have tried to pin the blame on external forces—first the stock market crash, then the national recession. They have repeatedly insisted that a local recovery was just around the corner. And they have tried mightily to put the best face on the bad news. The mayor's fiscal 1993 Executive Budget, for example, plays down the decline

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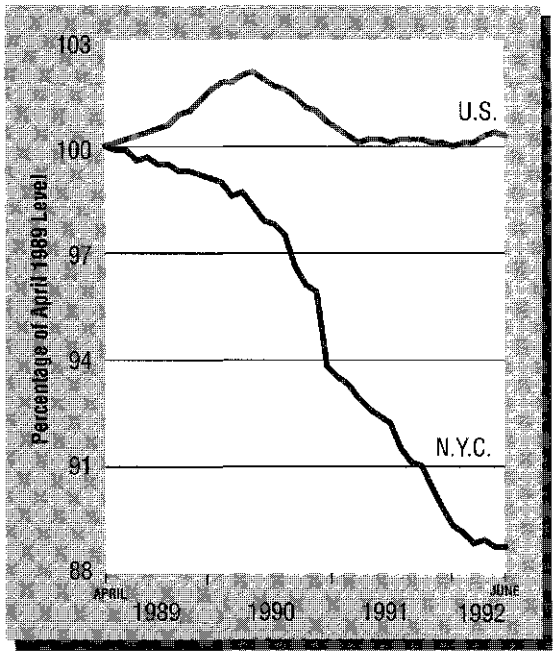
Figure 1
Total Employment (Seasonally Adjusted)



SOURCE: U.S. Bureau of Labor Statistics, N.Y.S. Department of Labor

in employment while stressing the "strong growth" in the average wages of those who have jobs. The budget attributes this growth to "the continual movement of New York City's economy towards internationally competitive high-wage service jobs." But if wage rates are rising while employment is falling, the most reasonable conclusion is that low-income New Yorkers are bearing the brunt of the recession. (Large bonuses on Wall Street, the result of a rising stock market, are also contributing to the growth in wage rates.)

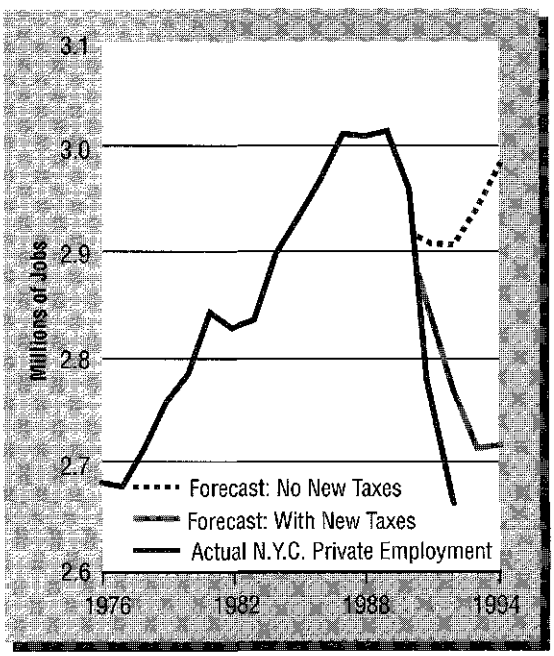
Taxing the Economy

It is not surprising that New York's officials avoid acknowledging the city's deep economic problems, for the current crisis—and the long-term decline in the city's economy—are largely the result of the tax-and-spend policies of New York City and State. As Steven Craig has pointed out in this journal, the city and state governments spend far more, on a per capita basis, than their counterparts anywhere else in the country.

The result is a singularly high state and local tax burden. The state levies 24 different taxes, the city 23. Some of these taxes are unique: New York City, for example, is the only municipality in the country that taxes the rental of commercial real estate or assesses a progressive personal income tax.

In New York City, state and local taxes consume 17.8 percent of the gross city product (abbreviated GCP, this is a measure of all goods and services produced in the city). For the rest of the nation, the state and local tax burden is only 9.5 percent of gross product. The high tax burden is a drain on the local economy: Even if a business is profitable enough to pay New York's high taxes and survive, the tax advantages offered by other regions provide an incentive for it to leave. This is particularly true for highly competitive industries with low profit margins, such as manufacturing.

Figure 2
Private Employment in N.Y.C.



SOURCE: U.S. Bureau of Labor Statistics, N.Y.S. Department of Labor, N.Y.C. Comptroller's Office

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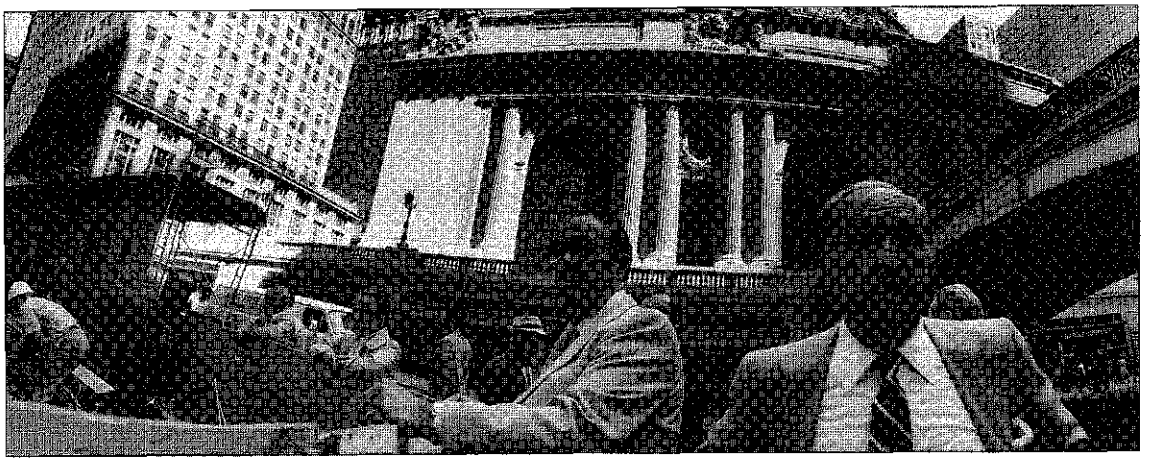

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GRAND CENTRAL STATION

Despite the recession, the Dinkins administration and the state have continued to raise taxes, to the tune of $2.5 billion, in order to close the budget gap created by the stagnant economy. Two new surcharges on the city's personal income tax raised the top marginal rate from 3.4 to 4.46 percent. The city also imposed several hundred million dollars in new property taxes, and did not implement some promised tax cuts.

In April 1991, when I was chief economist for the Office of the City Comptroller, my colleague Zheng Gu and I studied the economic consequences of new taxes as well as several other factors. Using a statistical technique known as regression analysis, we examined the effects of several variables—inflation, U.S. consumer spending, and changes in the state and local tax burden—on the number of private-sector jobs in the city between 1950 and the present.

We found that during a local recession, if the tax burden is already high, each $100 million in new taxes will lead to the loss of approximately 11,400 private-sector jobs citywide. Other factors affect employment as well. For example, if New York's inflation rate exceeds the national average by 1 percent over four years, some 13,000 jobs are lost. For each $1 billion increase in nationwide consumer spending on durable goods, the city gains about 2,100 jobs. We also found that private employment is declining by an estimated 8,400 jobs a year for reasons not specifically considered in the study—including the city's quality of life and of government services.

Figure 2 shows what this all means in the current recession. In 1991, we made two forecasts of what would happen to private-sector employment in New York City between 1991 and 1994. If the tax burden had remained constant, the recession would have been brief and only slightly worse than the national recession: Employment could have been expected to decline slowly through 1992, then recover in 1993 and 1994. With the new taxes that were enacted, we expected employment to drop dramatically in 1990-92 and not begin to stabilize until 1994.

What actually happened—shown through 1992—was that employment declined even more than we projected. The job losses beyond our projections cannot be attributed to the tax hikes, but a majority of lost jobs can be: 209,000 out of the 349,000 total private-sector jobs lost during 1990-92. By 1993, we expect an additional 56,000 jobs to be lost as a direct consequence of these new taxes.

Not surprisingly, the report was dismissed by the Dinkins administration.

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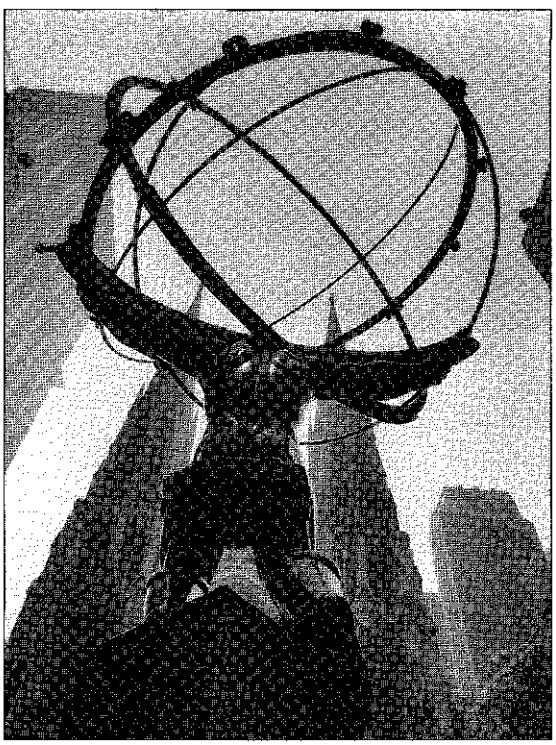
"Studies suggest that local business and employment relocation is determined by a host of economic and social factors," wrote Philip Michael, director of the Mayor's Office of Management and Budget. "Most surveys cite the local tax burden as only one of these factors and generally not a significant one." The studies to which Michael refers, however, do not claim to measure the same things as ours. They do not focus on New York City, but rather compare many metropolitan regions, nearly all of which have tax burdens within a narrow range far below New York's. These studies examine only manufacturing employment, not total private-sector employment. And they tend to focus on specific taxes or incentives, not on the total tax burden. Moreover, despite these differences, some of these studies do in fact show, contrary to Michael, that taxes have a significant influence on employment.

Ignoring the impact of taxes on the economy causes the city to overestimate its ability to raise revenues through tax hikes.



ROCKEFELLER CENTER

In a June 1991 follow-up to our study, we predicted that the economic decline caused by the huge tax increases would lead to a $1.142 billion loss in city revenues during fiscal 1991-93. Based on the results for fiscal 1991 and 1992 and the city's current forecast for 1993, the actual revenue shortfall is $1.158 billion—and this assumes no new taxes in 1993. The Mayor's Office, however, has put forth a program calling for even more tax increases for fiscal years 1993-96.

How We Got Here

Although the Dinkins administration has worsened the city's current predicament, it can hardly be blamed for creating the problem. Over the last three decades, through successive administrations in Albany and city hall, the city's private economy has undergone fundamental structural changes. The city government, in its effort to maximize tax revenues in the short run, has steadily increased taxes, weakening the city's economy in the long run. Albany must bear part of the blame as well, for the state government has also grown substantially, much of what the city spends is mandated by the state, and the city's taxing authority (except property taxes) must be approved by the State Legislature.

Figure 3 illustrates how private-sector employment in New York City has changed since 1950. In the immediate postwar years, New York was an economic colossus, with 3.1 million private jobs in 1950. One out of every 14 American workers earned a living within the five boroughs. In subsequent years, particularly during the late 1960s, private employment continued to grow slowly, peaking at more than 3.2 million in 1969.

Although the national economy grew more quickly, New York City's economy remained strong. The city easily weathered the national recessions of 1953-54, 1958, and 1961. The local economy was diverse. One-third of private sector employment was

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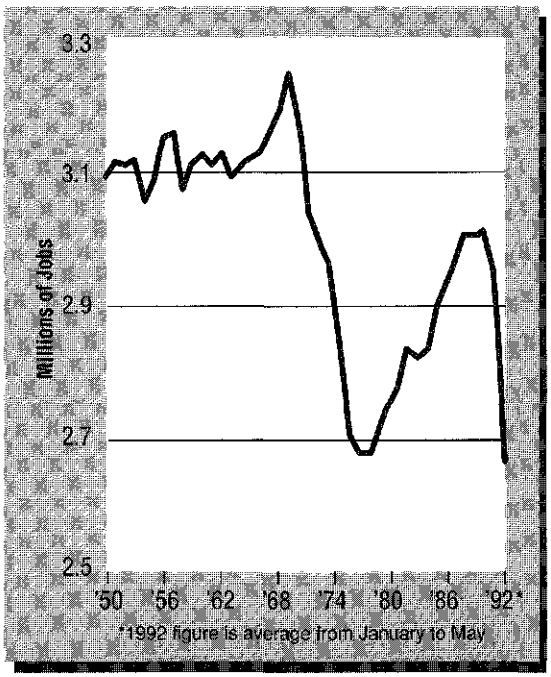
Figure 3
Private Sector Jobs in N.Y.C.



SOURCE: N.Y.S. Department of Labor

in manufacturing industries. New York's financial services sector dominated domestic and international finance. The city was home to nearly half of the fifty largest U.S. industrial companies and about one in four of the largest merchandising, transportation, and utility companies. In addition, the city had a large concentration of communications companies—telephone, broadcasting, and publishing firms.

In the 1960s, the structure of the city's economy began to change. While the city shared in the decade's prosperity, it lost 121,000 manufacturing jobs. At the same time, 138,000 new public-sector jobs were created. To pay for the growing government, both the city and state raised taxes.

The nation had a minor recession in 1969-70. But in the city, the downturn was severe and prolonged. From 1969 to 1977, employment in the city's private sector fell by 17.6 percent while the nation's private payrolls rose by 15.7 percent.

The recovery of 1978-88 was led by financial services, and the strong growth in consumer spending after 1982 stimulated the city's broadcasting, printing, publishing, and advertising sectors.

But the recovery was only partial. In 1987, the city's private sector jobs numbered just over three million, 240,000 below the 1969, peak. While FIRE (finance, insurance, and real estate), construction, and services experienced dramatic recoveries, other industries did poorly. Wholesale and retail trade did not recover. Nor did transportation and public utilities. Manufacturing, a major employer of low-skill and entry-level labor, continued to decline. The city lost more corporate headquarters.

In the wake of the October 1987 stock market crash, the securities industry began to cut back on employment in the city. Total private-sector employment began falling in April 1989. At less than 2.7 million, it is now below the level of 1977.

In some respects, the current decline is worse than the 1969-77 episode, because the economic base was stronger and more diverse in 1969 than in 1989. While manufacturing led the earlier decline, a number of the high-skill, high-wage service industries have contracted sharply since April 1989. Employment has dropped by 25 percent in business services—accounting, advertising, computer, credit, and personnel services. In engineering and management services, employment is off by 16 percent.

The long-range picture is equally bleak. Manufacturing and corporate headquarters were once pillars of the local economy. Since the late 1950s, 800,000 manufacturing jobs have left the city. In addition, the city roll of corporate headquarters on the *Fortune* lists fell by 130 firms from 1958 to 1992, costing the city more than 500,000 jobs. The loss of manufacturing and corporate headquarters has redefined the local economy,

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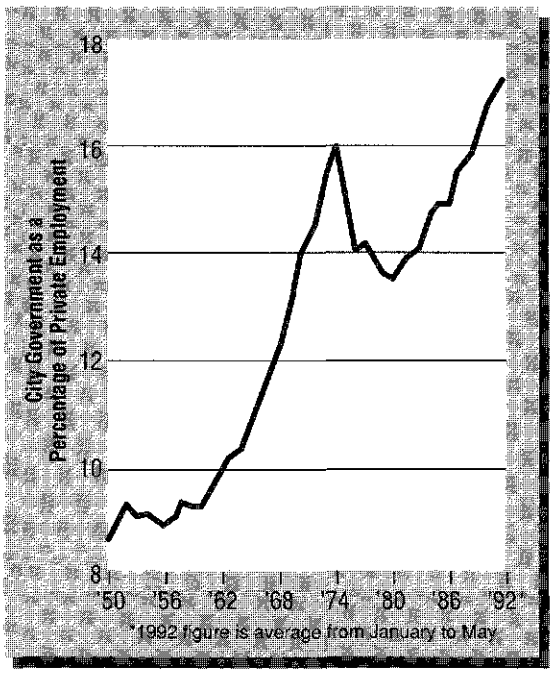
reduced the range of opportunities for New Yorkers, led to dependence on a narrower base of industry, and made the city more vulnerable to dramatic downturns.

The Public Sector Explodes

As the private sector in New York declined, the public sector grew. Figure 4 shows the ratio of city government jobs to private jobs in the city from 1950 to 1992. During the 1950s, local government employment fluctuated between 8.7 and 9.4 percent of private-sector employment. In the 1960s, local government became a growth industry, and the percentage rose continuously, peaking at 16 percent in 1975. City taxes were raised every year from 1963 to 1976—even as private employment in the city collapsed after 1969—to pay for the burgeoning public sector. The city ignored the economic crisis until it became a fiscal crisis—that is, until the economy had declined so much that tax revenues were insufficient to pay for expenditures.

Figure 4

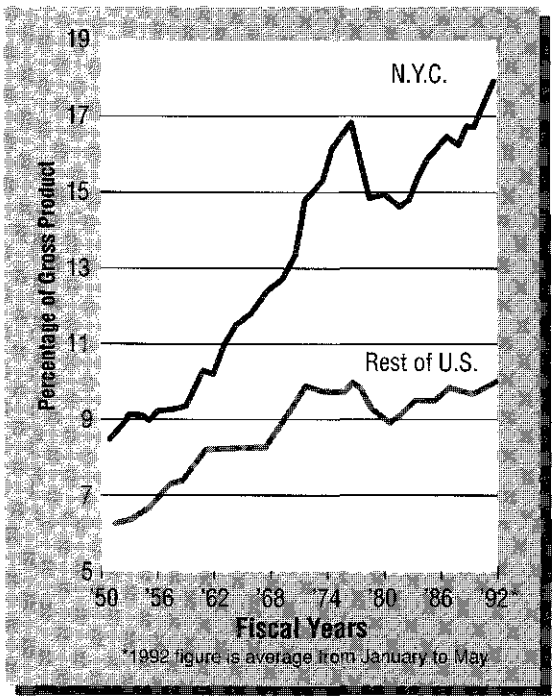
Growth in Government Employment Relative to Private Employment



SOURCE: N.Y.S. Department of Labor

Figure 5

State and Local Tax Burden



SOURCE: N.Y.C. Comptroller's Annual Reports, Office of N.Y.S. Deputy Comptroller for the City of N.Y. Government Finances, Bureau of the Census

The fiscal crisis forced cuts in government employment and the realization that the economic base had been ruptured. A few taxes were reduced beginning in 1977, and the ratio of public to private jobs declined, reaching 13.4 percent in 1981. But the economic recovery generated more revenues, spurring new growth in public employment. The ratio of public to private employment began rising once more, and the city started increasing taxes again in 1984.

The 1987 stock market crash forewarned the current recession. Yet in spite of the experience of 1969-77, local government employment continued to grow. By 1992, it had expanded to a record 17 percent of private employment. Taxes continued to rise accordingly.

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Figure 5 shows how the tax burden has grown over the years. In 1951, 8.3 percent of the GCP went for state and local taxes; the nationwide average was 5.9 percent of gross product. That means economic activity in New York City carried an extra tax burden of 2.4 percent of all production. Forty years later, New York's state and local tax burden had grown to 17.1 percent, while the nationwide figure had grown to 9.5 percent. New York's extra tax burden had risen to 7.6 percent—more than triple its 1951 level.

The actual effect of this increase has been even more pronounced because of changes in federal income tax rates. Both individuals and corporations are allowed to deduct state and local taxes from their federal taxable income. This deduction mitigates the high tax burden in states such as New York, but the value of the deduction goes down as federal tax rates are decreased. From 1950 to 1990, as the city's tax burden rose, the federal rate on the top personal income bracket fell from 92 to 28 percent (rising to 31 percent in 1991) and the top corporate income tax rate dropped from 52 to 34 percent. In addition, federal deductibility for sales taxes was eliminated in 1987 and the allowable deduction for upper-income taxpayers was reduced by 3 percent in 1991. These measures further reduced the value of the federal deduction.

The change in New York's tax burden shows a pattern similar to that for public-sector employment: Taxes increased only slightly during the 1950s, then began rising sharply during the 1960s, continuing unabated until 1977. They went down somewhat, leveled off during the early 1980s, and in 1984 began rising rapidly once again.

Economic and Fiscal Crises

These long-term patterns of tax increases, economic decline, and growth in the public sector tell us a great deal about the way the city does business. The primary role of local government, beyond providing basic municipal services, ought to be ensuring a favorable economic climate, one in which a city's residents can secure good jobs and develop their careers, open and build businesses, support their families, and educate their children.

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New York City's goals, however, have been different. Since the 1960s, the city government has consistently acted as if its purpose were to maximize revenues and expand the public sector. Even during severe recessions, the city continues to raise taxes, relenting only when it is forced to do so by a still-worsening economy.

The effect of local tax increases is particularly destructive during a recession. A recent update of our study found that during periods when the economy is contracting and the local tax burden is high (as in 1970-78 and 1989 to the present), each $100 million in new taxes costs the city some 11,400 private-sector jobs. If the economy is

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expanding and the tax burden is high (as in 1979-88), $100 million in new taxes costs 5,100 private jobs. During the period before the late 1960s, when New York's tax burden was closer to that of the rest of the nation, new taxes had a statistically insignificant effect on overall private-sector employment.

City officials have built a wall of denial around these facts. To this day, for example, the collapse of the city's economy in the 1970s is understood to have been nothing more than a "fiscal crisis." What actually happened, as we have seen, is that the growth in government and taxes during the 1960s set the stage for an economic crisis. When the economy began to falter in 1970, the city continued raising taxes. The additional tax burden worsened the economy, putting more people out of work. But the city continued raising taxes anyway, compounding the problem further. Finally, in 1974, the city experienced a shortfall in revenues—the fiscal crisis. But it was not until 1977—eight years after the economic downturn began—that the city stopped raising taxes. The economy partially recovered, but significant and permanent damage had been done.

The situation is disturbingly similar today. The prosperity of the 1980s, like that of the 1960s, was accompanied by sharp increases in taxes and public-sector employment. The recession began three years ago, but the problem was not publicly recognized until city tax revenues began to collapse toward the end of 1990. The city recognized a fiscal crisis and raised taxes to cover the shortfall. The result is a continuing, and worsening, recession.

In several respects, today's economic crisis is worse than that of the 1970s. The rate of decline in private-sector employment has been greater than in the first three years of the 1969-77 episode. Going into this recession, the private-sector employment base was smaller and less diverse and the tax burden was considerably higher than in 1969.

The Need for Leadership

New York's public officials have focused almost exclusively on current budgetary issues, avoiding any discussion of the destructive effects of a growing tax burden on a shrinking private economy. Instead, they have blamed New York's economic troubles on a variety of external factors: Manufacturers prefer the larger and cheaper space available in less developed areas of the country. Cheap foreign labor is taking away New York jobs. The revolution in communications technology eliminated the need for a central urban location. The most recent excuse is that the Federal Government has diverted resources away from the cities.

Each of these explanations has a degree of truth. But as we have seen, the primary cause of New York's economic decline is a fiscal policy out of control and the consequent crushing tax burden, which is far higher than virtually anywhere else in the country and which has not provided New Yorkers with a commensurate level of public services. External factors may worsen the situation, but that is all the more reason why New York needs to enact pro-growth policies—including lower taxes and a leaner, more efficient city government—that would allow the city to preserve its competitive advantages.

There may be hope. If New Yorkers created this mess, New Yorkers can clean it up. Only if New York's leaders honestly confront our problems can we expect the city to prosper in the years ahead. ■

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Under Siege: Small Business in New York

William Tucker

EDITOR'S NOTE:
New York City has great natural advantages as an incubator of small companies. Nonetheless, it lags far behind the rest of the nation in the growth of small businesses, and many of those already here are leaving for the suburbs. In fact, New York has fewer small businesses than it did in 1969. If New York is to grow new industries that will provide jobs and prosperity for the future, it must reduce the crushing tax and regulatory burdens that are driving small companies out of the city.

Louis Powsner still remembers the day the Con Edison meter reader showed up at his men's store in Coney Island. "He took one look at the bars and gates and said, 'This is a regular Fort Knox you've got here.' Then he went down to read the meter. When he came back up, he grabbed me by the head, put a knife to my throat, and stole everything out of the cash register, plus my wedding ring of 44 years.

"It turns out he was a guy who had been fired from Con Ed three years before. I picked him out of a lineup the next day. It's the 76th time I've participated in an arrest since I took over this store."

Powsner, who serves as chairman of the Kings County Board of Trade, has the typical fatalism of a New York small business owner. "I run what's left of a men's shop on what's left of Mermaid Avenue in what's left of New York," he says. Crime is his number one problem. Still, there are other things to keep him busy.

"I once added them all up and found I pay 17 different kinds of taxes and fees," he says. "Did you know there's a $125 annual permit fee for having an illuminated sign in front of your store? And there's another one for having air conditioning? Then there's the sales tax, the property tax, the income tax, the commercial occupancy tax—we're basically just in business to collect taxes for the city government."

Yet there is a growing realization that the future of New York City depends on whether small businessmen like Louis Powsner can survive. For many years, New York City's economic development policy has concentrated on retaining large employers through individual negotiations and special tax breaks. Recently, however, the Dinkins administration has signaled a change in direction. The Mayor has appointed an Interagency Task Force on Small Business, which held a series of Town Hall meetings with small business representatives this summer and is exploring ways to improve the business climate.

"We've realized that it's not enough to hang on to what you've already got," says Barry Sullivan, deputy mayor for finance

William Tucker is the author of The Excluded Americans: Homelessness and Housing Policies, *winner of the 1991 Mencken Award for Best Non-Fiction Book.* *Research for this article was supported by the Brunie Fund for New York Journalism, and research assistance was provided by Greg Bartels of the Manhattan Institute.*

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and economic development. "The most important thing cities have to do is keep growing new businesses from within." Thus far, however, the administration's only major small business initiatives have been a $5 million loan-guarantee program called the Small Business Reserve Fund and a $2.4 million "microloan" program to lend sums of $5,000 to $50,000 directly to small businesses.

In hitting upon small business growth as a key to economic development, the city is discovering an economic truth that is already well-established.

"We've known since 1979 that over 80 percent of the nation's job growth occurs in companies with fewer than one hundred employees," says David Birch of Cognetics, a small Boston research firm generally credited with this discovery. "The Fortune 500 are basically companies that have topped out. Their employment actually declined 20 percent during the 1980s, at a time when the economy as a whole added 20 million new jobs. The big companies are always shedding skin. It's the incubation process for small companies that matters."

The theory that small businesses are the lifeblood of a city's economy and that cities must constantly renew themselves from within, rather than attract mature businesses from without, has a well-established pedigree. The most eloquent explication was Jane Jacobs's book *The Economy of Cities*, in which she argued that cities have always been places where new industries were invented before being "farmed out" to the countryside when their growth eventually made them too cumbersome to maintain within a dense urban environment. Cities, Jacobs explained, are the natural incubators of new businesses—places where the rapid pace of life, face-to-face contact, and concentration of ambitious people come together to create new ways of doing things.

Lower Manhattan, for example, was once the seedbed of the electrical industry. Thomas Edison set up his first power generating station on Pearl Street, and the iron facades of SoHo housed the sweatshops of the nation's electrical industry. Today they are all gone. Power plants are built in Westchester County or far upstate. The nation's electrical industry left four decades ago for Utica and beyond.

The city government's response to the exodus of the electrical industry is emblematic of its failure to understand the dynamics of entrepreneurial innovation. Until the 1970s, the city refused to allow the area to be re-zoned for any other use. Like the cargo cults of New Guinea, who built huge airports in the jungle and waited for airplanes to land, zoning officials insisted on retaining the area's industrial classification, as if waiting for some new electrical industry to drop out of the sky. Only when zoning was informally relaxed did SoHo evolve into a thriving artistic community.

The city government continues to follow the same approach on lower Sixth Avenue, on the waterfront, and in dozens of other areas that have fallen into decay and ruin. Manufacturing zones usually signify vacant lots. Where somebody has gotten really ambitious, there is a parking lot. Jacobs's analysis of the constant need for cities to give way to the future makes more poignant Seymour Durst's acid remark about lower Sixth Avenue: "Why not try agricultural zoning?"

Because of the city government's misguided policies, New York has failed to exploit its great potential as an incubator of small business. During the 1980s, the number of small businesses grew by a mere 4 percent in New York City, compared with 24 percent nationwide. The city's 10 percent increase in employment from 1978 to 1987 came almost entirely from Wall Street and city and state government. Moreover, the city actually has fewer small businesses today than it did in 1969.

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While more than 95 percent of New York City's businesses employ fewer than one hundred employees, larger companies provide 55 percent of the jobs. "The role of companies with more than five hundred employees is proportionately larger in New York than anywhere else in the country," says Jim Brown, a researcher for the New York State Department of Labor.

During the 1980s, small firms accounted for 75 percent of job growth nationwide and 79 percent in New York State; for New York City the figure was only 22 percent. "The difference between the role of small businesses in New York City and the rest of the nation is striking," says Samuel Ehrenhalt, regional commissioner of the U.S. Bureau of Labor Statistics.

New York City does retain its natural advantages as an incubator for some types of small business. In the financial service industries, for example, a Port Authority study found that Manhattan alone accounts for 38 percent of new businesses in the 17-county metropolitan region. "What seems to be happening, however, is that these businesses are leaving fairly rapidly," explains resident economist Stephen Leschinsky. "The favorite locations are Westchester and Suffolk Counties in New York and Hudson and Bergen Counties in New Jersey."

Tracing the history of a few of these companies gives an idea of what makes the city an unattractive place to do business.

In the 1970s, Mario Gabelli was a stock analyst for William H. Whitter, a small brokerage that later merged with Drexel Burnham. In 1978, Gabelli decided to start his own firm. He chose an office at 40 Wall Street. Building a remarkable track record for picking stocks, he soon expanded and moved uptown to 655 Third Avenue. "We needed the space and rents were cheaper," explains Doug Jamieson, Gabelli's executive vice president. By the late 1980s, Gabelli, known as "Super Mario," was regarded as one of the four or five best analysts in the country. Last year he moved all but five of his 115 employees to Rye.

"We still have a research presence in Manhattan," Jamieson says. "We have meetings there with people coming from out of town. You can't replace the face-to-face contact, and it's hard to ask people to schlep up here to Rye. But everyone else is up here."

What attracted Gabelli to Westchester? "It was three things," says Jamieson. "The quality of life, rents, and taxes."

When the company moved two years ago, it was paying $30 a square foot in mid-

New York has failed to exploit its great potential as an incubator of small business

town; the going rate was $19 to $25 in Rye. The company escaped New York's high taxes, including the city income tax and commercial occupancy tax, a tax on rents that businesses often cite as a particular thorn in their sides. Finally, there was the lack of a long commute for many employees, plus the elusive "quality of life." "You can play basketball at lunch time up here," Jamieson notes.

Hoenig Financial Investments, which started twenty years ago on Wall Street, moved its seventy employees from midtown Manhattan to Port Chester in June 1992. "We went public last October and suddenly had to become very responsible to stockholders," says Dan Crowley, vice president for finance. "The taxes made it very difficult to stay in New York. Rents were high, too."

"The rent tax [commercial occupancy tax] kept going up and up," says Tina Aikers, assistant director of personnel at Central

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National-Gottesman, a paper manufacturer that is leaving Manhattan for Purchase. "The city just got to be too expensive."

New Jersey seems to have lost some of its edge in attracting businesses since the state began raising its income tax to near New York's levels. Connecticut, however, has been much more successful, thanks to an aggressive recruiting drive for businesses begun under Governor Lowell Weicker. "Most people concentrate on the new state income tax," says Joe Cohen of the Connecticut Department of Economic Development. "But we've lowered both the sales tax and the corporate income tax. We're trying to reduce the costs of doing business in the state." In 1991 alone, 35 companies, large and small, moved or announced they would move all or part of their operations from New York City to Fairfield County. Among them were Elizabeth Arden, Maxwell Macmillan, AIG Financial, Revelation Technologies, and Turecamo Towing of Staten Island.

Why has New York City —still a magnet for creative and ambitious people— turned into a place that successful businesses are eager to flee?

"The companies that are moving from New York City are doing it to save money," said Janine Johnson, director of the Fairfield County Information Exchange, a business-sponsored organization. "They tell us they want to be near New York but not in it anymore. The quality of life and the educational system up here are a big attraction."

Why has New York City—still a magnet for creative and ambitious people—turned into a place that successful businesses are eager to flee? There seem to be three key factors: high taxes, overregulation, and a deteriorating quality of life.

Taxes

Consider the tax burdens faced by a New York City architect who wants to go into business for himself. First, he must find office space. Although rents have gone down because of the real estate bust, they are still comparatively high in New York, partly a reflection of the city's high commercial property tax. If the architect pays more than $11,000 a year in rent ($15,700 if his office is north of 96th Street or in the outer boroughs), he must pay the commercial occupancy tax, which is an additional 6 percent of his rent.

If he turns a profit, he must then pay the state income tax of 7.785 percent and the city income tax of 4.46 percent. The city then taxes his income again, through the unincorporated business tax of 4 percent. The total marginal city and state tax rate, then, is 15.335 percent.

If the architect were to set up shop across the river in Hoboken, New Jersey, he would be spared the city income tax and commercial occupancy tax, and would face a maximum state income tax rate of 7 percent. This top marginal rate would not kick in unless his profits reached $150,000.

Its crushing tax burden makes New York City the most expensive place in America to do business. Residents pay state and local taxes that are more than 50 percent higher than the national average, and the tax burden on corporations is almost twice the national average.

Remarkably, this high burden is spread across the entire spectrum of state and local taxes. Many states and cities rely heavily on one or two forms of taxation while others

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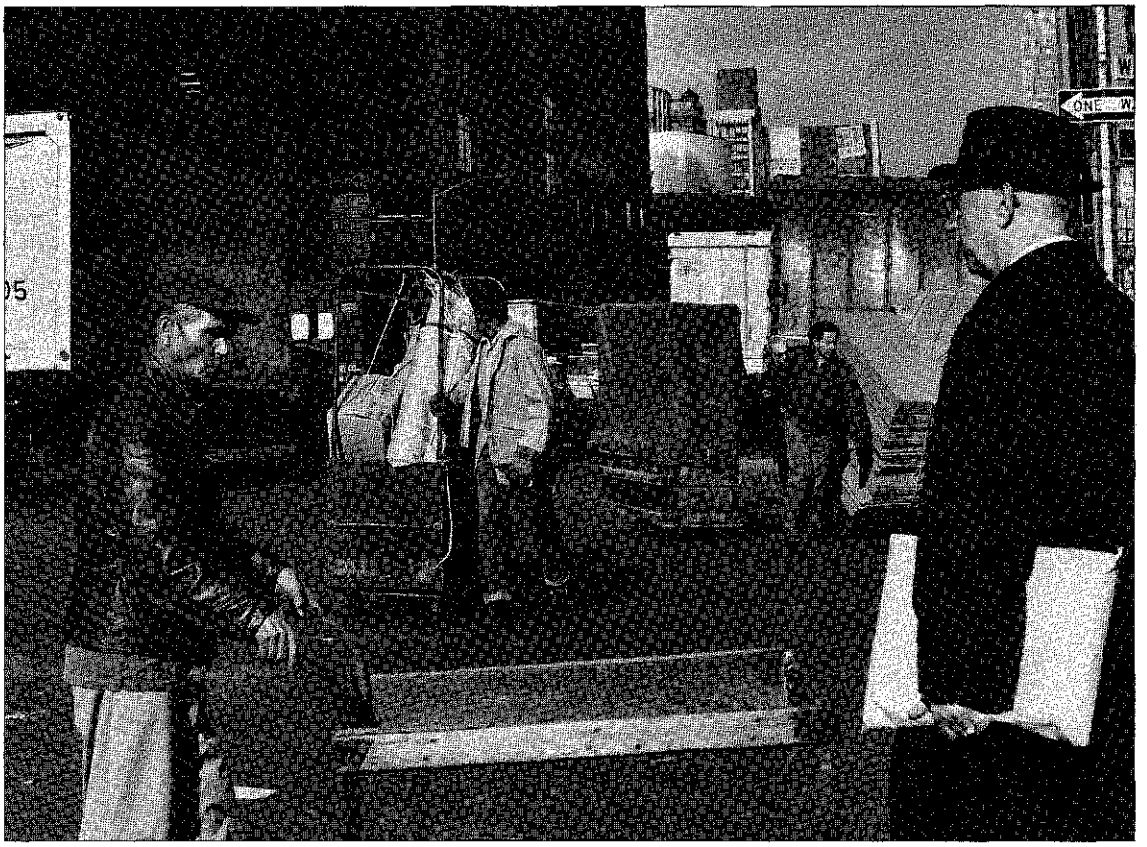

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GARMENT DISTRICT

are low or nonexistent. Delaware, for example, has a high personal and corporate income tax but extremely low property taxes and no sales tax. Connecticut, until this year, had high property and sales taxes but no state income tax. But New York ranks high in every single category. The state and city rank first in the nation in state personal income tax as a percentage of income, first in state corporate income taxes, tenth in per capita sales tax revenues, and seventh in property taxes. New York's combined state and local spending per capita is exceeded only by that of Alaska, which draws most of its revenue from royalties paid by out-of-state oil companies.

New York's high taxes may be intended to "soak the rich," but their actual effect is to make it extremely costly to start a business in the city. Although the Dinkins administration has been loath to admit that high taxes are harmful to the city's economy, an April 1992 report by the Mayor's Management Advisory Task Force acknowledged that "the sheer magnitude of the differences [in tax burden between New York and other cities] and the explosive rate of property tax growth in the city [have] become a significant impediment to economic development." Business income taxes, the report noted, have risen from 0.8 percent of the gross city product in 1980 to 1.6 percent in 1991.

> Even more ominously, the real property tax on commercial and industrial property increased steadily from 1.5 percent of gross city product in 1982 to 3.5 percent of gross city product in 1991. . . . Commercial property tax rates are now $4.48 per $100 of valuation, a rate roughly twice the average in Chicago, Houston, and Philadelphia.

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MOTT STREET

Owners of commercial and industrial property now pay 53 percent of all property taxes in the city, although these classes of property account for only 37 percent of aggregate citywide property value. This differential between commercial and residential tax burdens is six times greater than that of Philadelphia and three times greater than that of Boston or Chicago, with most cities falling within this range.

On top of this, of course, is the commercial occupancy tax, a flat 6 percent tax on rent that is not levied in any other city. As the Mayor's report notes, 56 percent of revenues from this tax come from the financial and service sectors, "the two primary sources of prospective growth in the city."

Even the costs of energy—often cited as a big impediment for manufacturers—are driven largely by the city's high levels of taxation. Fully 25 percent of Con Edison's electric bills and 22 percent of gas bills represent state and local taxes. This compares with only 10 percent nationwide for electricity and 8 percent for gas. Similarly, 17 percent of New York Telephone's gross receipts are state and local taxes. "Con Edison is the city government's biggest tax collector—and everybody blames Con Ed," says Don Mele of the Chamber of Commerce. "And I know one company that saw its phone bill go up $2 million a few years ago just because the telephone tax increased."

New York has a host of other obscure "nuisance" taxes and fees, which are often applied in confusing or inconsistent ways. New York City, for example, recently created a monthly tax of $1 on beepers. And while unprepared food is not subject to state and local sales taxes, "snack foods"—as defined by the state Department of Taxation and Finance—are taxed, leading to some odd anomalies. Large marshmallows, for example, are classified as a tax-exempt "baking item," while small marshmallows are a taxable "snack." "New York has bureaucrats that do nothing but compile huge lists of foods they can reclassify in such a way as to

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expand their tax base," says Cliff Busard, editor of the newsletter *Sales & Use Tax Alert.* "Sometimes businessmen will fight it out in court, but usually it's cheaper and simpler just to pass the cost on to the consumer."

A final, de facto tax takes the form of rising premiums for workers' compensation and unemployment insurance. Workers' compensation rates have skyrocketed 85 percent in the past four years, partly as a result of state policies (see "Compensation Games," page 51). Businessmen complain that unemployment insurance rates are driven higher because officials seldom accept employers' explanations for firing people. "Even if they steal from you, the unemployment office will still try to get them benefits," says Fred Levine, owner of The Copy Exchange, a 24-hour shop on Pine Street in Manhattan. It can also be costly to fire incompetent employees, because an employer's premium rises rapidly with the number of his ex-employees who have collected benefits.

In addition to hurting existing businesses, the high rate of taxation creates an incentive for new businesses to start outside the city and for people to avoid taxes altogether by running off-the-books businesses that pay no taxes and have an unfair competitive advantage over legitimate firms.

"Over the past three years, we've lost 8 florists in the Bronx, 16 in Manhattan, 11 in Queens, 9 in Brooklyn, and 3 in Staten Island," says Steve Parlavantzas, president of the New York Retail Florists Association. "They're being killed by street vendors, who crowd around our stores, taking business right from under our noses. They're not paying taxes, they're not paying any overhead. How are we supposed to compete against them?"

Regulation

Claudette Duff, who runs the Homeport Market in Staten Island, was fined $2,000 by the city's Department of Environmental Protection for playing music that was audible outside her store. "I didn't even know there was a law," she says. "The police were here a week before and told us we could play if we kept the volume down to a certain level. Then, two weeks later, another city official walks in and hands us the fine."

Duff was among the small business owners who attended the Mayor's Town Hall meeting on Staten Island in late July. With the entire Interagency Task Force on Small Business present, there was barely enough room on stage to accommodate the municipal contingent. Seventeen people crowded two-deep trying to answer questions from angry merchants.

Small businessmen complain that regulations are so complicated that conflicts between them often cannot be resolved

"My brother-in-law invested his life savings in renovating a building for a delicatessen, and for the last six years the city government has refused to give him a certificate of occupancy," complained Ahmed Aziz. "One city agency tells us one thing and another agency tells us the opposite. How can you expect people to invest money under these kinds of conditions?"

Small businessmen complain not only that there are too many regulations, but also that they are so complicated and overlapping that conflicts between them often cannot be resolved. Moreover, the city often uses regulations as a way of collecting even more revenues in the form of fines.

"Right after the last budget crisis, the city government decided it needed more

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revenue," says Harold Waterman of the Brooklyn Chamber of Commerce. "So it started cracking down on the '18-inch Law,' which requires a property owner to keep the sidewalk and road clear of garbage 18 inches into the street. People were being billed $20,000 to $30,000 for back fines. There were several well-publicized raids on small bodegas in the Bronx that probably owed more than they were worth. All this had nothing to do with keeping the streets clean. It had to do with balancing the city's budget."

The Sanitation Department relented, under extreme pressure from small businesses and property owners. It now posts specific times when it will inspect blocks for garbage on the sidewalk. But merchants still complain of unfair treatment. "They just jump out of the car and start writing tickets," says Jack Michaels, owner of a small Times Square jewelry store. "You can't argue with them—there's nothing you can do. They don't even look at the sidewalk."

Restaurant fines work much the same way. "The thing that we find objectionable is that they go right up to the maximum on the first offense," says Fred Sampson of the New York Restaurant Association. "We're being held to a higher standard than a brain surgeon. The inspectors walk in and find five or six infractions and you're out $500 to $600 just like that. The city government collects over $1 million a year from health inspections."

City regulations can be extremely burdensome, even when enforced in good faith. Just to start a business, one must run a gauntlet of restrictions and permit requirements. In ten industries surveyed by the New York State Office of Business Permits, the average number of permits required to do business was 35.

Simply obtaining the permits and licenses required to open a restaurant can take a year. Robin Gross, a Manhattan lawyer who has advised small businesses for twenty years, describes the procedure for getting Con Edison to turn on the gas at a new restaurant:

> First you have to get your blue card from the city plumbing inspector. This means the plumber has certified that the gas pipes are up to code. But the plumber can't do this until you've installed your Ansul system—the range hood fire control mechanism. You file your plans for the Ansul with the Buildings Department. Once the plans are accepted, you get a number and walk your papers over to the Fire Department. They have to approve. Then you take the plans back to the Buildings Department and they perforate and seal. That means you can install your fire control. Once it's installed, the fire department has to come to inspect. Technically, you need your plumbing inspector and plumbing contractor there at the same time. The plumbing inspector signs off and gives you your blue card, and then you can go back to Con Ed and ask them to turn on the gas. If you know what you're doing, the whole thing takes about a month.

"None of these requirements is completely unreasonable," says Fred Sampson of the New York Restaurant Association. "It's just that the whole thing is so complex and mind-boggling. There ought to be one place where you can walk in and ask, 'What do I have to do to go into this business?' And they ought to be able to tell you."

Quality of Life

"After being robbed at gunpoint in front of my house, I finally decided I didn't want to spend my life in Brooklyn," says Stanley Reed, a *Business Week* reporter who recently moved to Connecticut, where his wife, Katherine, had already moved her small bond-touting business. "We felt a bit guilty

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about leaving at first, but not much anymore. There's a whole community of Manhattan financial expatriates up here."

Crime is among the top complaints of New York City businessmen. "We did a survey and found crime is costing small businesses more than $1 billion a year, or more than $5,000 per business," says David Gallagher of Interface, a public policy group. "That's mostly stolen merchandise, but also includes the added costs of insurance and recruitment. Twenty percent of employers said they had employees who had been assaulted going to or from work. It's often difficult to recruit under those conditions."

The deteriorating quality of life in New York—crime, disorder, inadequate public schools, badly maintained transportation facilities, deteriorating public parks, and other complaints about poor city services—drives many people to consider leaving the city. Mobile, affluent people, like the CEOs of both small and large corporations, are the most likely to move to the suburbs, taking their companies with them.

In some ways, the city is at a natural disadvantage with respect to quality-of-life concerns. The suburbs are, by nature, places people go to escape the unpleasant aspects of high-density urban living. Still, there is much the city could do to improve the quality of its residents' lives, and if the suburbs will always have a certain appeal, that is all the more reason why the city should not place itself at a competitive disadvantage through high taxes and burdensome regulations.

Restoring an Entrepreneurial Culture

In the August 1992 issue of *Inc.*, author John Case reviewed "The Best Places in America to Own a Business." "None of the experts I consulted mentioned New York as a good place to start your own business," he says. New York has no Silicon Valley, no East Cambridge, hardly a single pocket of technological innovation. "We were keen on Manhattan, but found it next to impossible to locate there," says Philip Goelet, cofounder of Molecular Tool, a genetic engineering company that now employs 11 people. "Our costs in New York were extremely high and there were zoning problems in working with different chemicals. Once the landlords heard we were seeking a license to deal with radioactive chemicals, they became nervous."

Goelet and co-founder Michael Knapp, both research scientists at Columbia, operated their firm out of Hoboken for two years before moving the whole business to the Bay View Research Facility in Baltimore, operated by Johns Hopkins University. "Other cities have created industrial parks and made a real effort to streamline the location process for high technology," Goelet says. "But New York just isn't prepared to handle it. If you're not finance, insurance, or real estate, they don't know what to do with you." Ironically, city officials cite genetic engineering as a potential growth area for the Manhattan economy.

Goelet's experience exemplifies the fundamental problem: New York City's predominant political culture simply does not understand the importance of entrepreneurship and technological innovation. Though the city once honored commerce and industry, since the 1930s the prevailing culture has held that entrepreneurs are essentially greedy and conniving, and that the true heroes of the municipal scene are the bureaucrats who protect the average citizen from predatory business people.

Most businessmen, however, *are* average people. At any of the Mayor's Town Hall forums, the well-dressed, educated (and obviously well-salaried) officials on stage all represented the city government. The scruffy, less affluent people in the audience—many with foreign accents—were the "business community."

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The entrepreneurial spirit remains alive in New York, reinforced by an influx of immigrants eager to realize the American Dream. But the tax and regulatory burdens imposed by the city government ensure that many businesses will continue to flee as soon as they can afford to. And while the Dinkins administration's new-found interest in small business is encouraging, it is easy to predict where its policy of lending money to small firms will lead.

If the business receiving a loan is a small retail shop—a restaurant or a hairdresser, for example—it may succeed, adding a bit of vitality to the city's economy. It may also fail, which means taxpayers will pick up the tab. If small New York firms find it difficult to secure loans without government help, it is because the loans are risky, reflecting the trouble small businesses have surviving in the city.

If the city lends money to a small firm that draws many of its customers from outside the city—that is, one that doesn't have any real reason to be in New York—then the firm will probably leave town as soon as it grows big enough that the tax advantages of locating elsewhere outweigh the cost of a move. New York City's tax-funded loans will end up watering the lawns of Westchester and Connecticut.

The outlook for small business in New York is not likely to change until the predominant culture changes. Business must be seen as a worthy human endeavor in itself, rather than as some exotic plant that must first be watered by government and then harvested for tax purposes when it has matured. A serious policy to encourage small business must begin by reducing the burdens of taxes and regulation. ■

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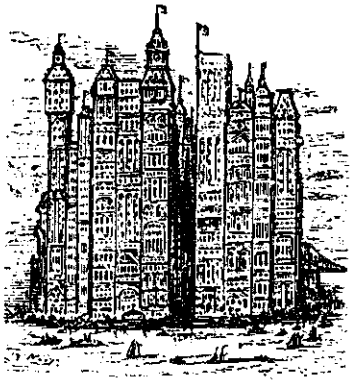

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Compensation Games

ALBANY RAIDS THE STATE INSURANCE FUND

Peter Murphy

Workers' compensation premiums for New York businesses are skyrocketing. The rates employers pay to insure their workers against on-the-job injuries have gone up by 85 percent over the last four years.

Workers' compensation premiums have been driven up by a combination of factors: fraudulent claims, the rising cost of medical care, and enormous state-mandated increases in benefits. But the problem has been compounded by two factors unique to New York. The first is a budget gimmick employed by Governor Cuomo and the State Legislature: raiding the State Insurance Fund (SIF) to the tune of $1.3 billion.

This money must be made up by higher premiums. Because the SIF provides insurance to 45 percent of the state's employers, these raids have, in effect, imposed a new multimillion-dollar tax on New York businesses. Clients of private insurance companies have been affected as well, since higher SIF premiums reduce the pressure on other insurers to keep their rates low.

The second is a twenty-year-old court decision that makes employers and their insurers vulnerable to liability for damages that far exceed the standard workers' comp benefits. This directly contradicts the intended purpose of workers' compensation: to provide a no-fault system to compensate workers for on-the-job accidents.

The state's abuse of the insurance fund and failure to reform liability law have worsened the burden of workers' compensation premiums on New York's businesses, and damaged their competitive positions relative to out-of-state companies. "I get calls every day from businesses saying, 'I can't handle these rates,'" says Bob Crandall, a lobbyist for the State Business Council. "This has been crushing businesses."

Small firms have been hit especially hard. The owner of an upstate electronics store has seen his premiums more than double since the mid-1980s, though he has had only one minor accident in the last dozen years. "I operate a tremendously competitive business and I'm not part of a chain," says the owner, who asked not to be identified. "Workers' compensation insurance, along with the burden of higher taxes and fees, is making it more difficult for independents like me."

The State Insurance Fund

New York State lawmakers created the State Insurance Fund in 1914. It is completely self-sustaining, generating its operat-

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ing and reserve funds from premiums and investment income. Although the SIF is a state-controlled agency with a board of eight commissioners appointed by the Governor, it operates as if it were a private insurance company, though under somewhat different rules. As the insurer of last resort, it cannot turn away any would-be client, but its premiums are generally competitive with those of New York's private insurers.

State statutes limit the SIF's investments to government bonds and notes, repurchase agreements, FHA mortgages, and certain corporate bonds. The fund's solvency is ensured by avoiding riskier investments. In 1975, however, the Governor and State Legislature began transforming the SIF from a quasi-private insurance broker into a mandated market for public debt.

That year, the state established the Municipal Assistance Corporation (MAC), a public authority that would sell bonds to help bail New York City out of its fiscal crisis. State legislators doubted whether MAC would be able to attract enough private investment and whether it was a constitutionally permitted undertaking (the courts eventually determined that it was). To ensure that MAC's bonds would be sold, the Legislature passed a law directing the SIF to invest $100 million in them. The same year, the Legislature ordered the fund to purchase $15 million in general obligation bonds from the city of Yonkers and up to $200 million in bonds from the Dormitory Authority, the Environmental Facilities Corporation, the Housing Finance Agency, and the Medical Care Facilities Financing Administration.

None of these investments turned out to be unsound, but they represented a disturbing precedent. The interests of SIF policyholders were no longer the only factor in choosing the fund's investments. They would now be forced to compete with the political needs of state officials.

In 1982, facing a shortfall in the fiscal 1983 budget, Governor Hugh Carey and the State Legislature turned to the State Insurance Fund for a bailout. Legislation was passed directing the SIF to transfer $190 million in reserves directly into the state's general fund. The legislation also required the state to establish an annual "dry" appropriation of $190 million, ostensibly to repay the insurance fund. This $190 million is considered an asset of the SIF, but it is only an authorization for the state to spend the money, not a requirement to do so. This "asset" is listed on the SIF's balance sheets as a "contingent receivable" from the state, is "non-interest bearing," and is payable "only [if necessary] to maintain the solvency" of the Workers' Compensation Fund within the SIF.

Governor Cuomo, who had labeled the 1982 transfer an "atypical transaction," nevertheless continued the practice, surpassing the amount of his predecessor's raid by more than five times. He persuaded the Legislature to transfer $325 million from the SIF in fiscal 1987 and another $300 million in 1988 to pay for increased spending. In 1989 and 1990, another $250 million and $230 million, respectively, were transferred to cover year-end shortfalls.

Thus, the annual "dry" appropriation has increased accordingly, and now stands at almost $1.3 billion. The SIF is, in effect, required to keep phony balance sheets, declaring this $1.3 billion as an asset, though the only way the state will repay this money is if the fund's genuine assets fall below the liabilities for claims against them. By the end of 1991, the fund's genuine assets exceeded claims liabilities by a precarious $152 million.

State officials claim they have merely made use of the insurance fund's "excess working capital," money that was unnecessary to meet liabilities. But the SIF surplus could have been invested and used to reduce

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Table 1

Transfers from the State Insurance Fund

Fiscal Year	Amount in Millions	Present Value
1983	$190	$496
1987	325	568
1988	300	475
1989	250	356
1990	230	296
Total	$1,295	**$2,190**

Note: "Present Value" is the estimated worth of the transferred amount as of September 30, 1992, had it been invested at the time of transfer and earned an average of 10 percent annually, the approximate rate of return on SIF investments during this period.

the premiums paid by New York's employers. Thus, the transfer of SIF funds has amounted to a backdoor tax on New York's 190,000 participating employers.

This tax includes not only the amount of money directly involved in the transfers, but also the forgone investment earnings on these funds. Table 1 shows the date and amount of each transfer, along with the estimated present value of that money had it been invested at the time. The total value of the transfers, as of September 30, 1992, is approximately $2.2 billion, or an average of more than $11,500 for each business that has worker's compensation insurance through the SIF.

If the SIF reaches the point where its genuine assets cannot cover claims against the fund, it will either have to raise its premiums further or the state will have to begin paying back the $1.3 billion it "borrowed." The raids on the SIF will ultimately be paid for either by policyholders or taxpayers.

Governor Cuomo and the Legislature have found other, more devious ways to raid the SIF as well. In an attempt to balance the fiscal 1991 budget, the Legislature passed a series of "one-shot" gimmicks, including two that transferred nearly $90 million of SIF money to the state, using the Urban Development Corporation (UDC), a public authority established during the Rockefeller administration, as a conduit. This $90 million was in addition to the $1.3 billion transferred to the state in direct raids on the SIF.

The first of the one-shots mandated the SIF to "lend" the UDC $30 million for "legislative initiatives"—projects already begun by the corporation, in some cases several years earlier. The legislation specified that the UDC would pay the $30 million directly to the state. The corporation is supposed to pay back the loan to the SIF over thirty years at 10 percent annual interest. But repayment is only guaranteed if the loans made by the UDC for the initiatives are repaid to the corporation. If these UDC loans go bad, employers paying workers' compensation premiums will be left holding the bag.

In the second transaction, the SIF was directed to invest in UDC reserve funds. These funds are used to pay the interest on bonds issued to finance prison construction. The SIF has since invested $57.5 million, which will be paid back only if there is still money in the reserve funds when the bonds are retired years from now. In the meantime, the SIF earns an unspecified rate of interest generated by the reserve funds. In exchange for the $57.5 million "investment," the UDC was directed to forgive an equivalent amount that the state would otherwise pay to "rent" the prison facilities.

These transactions leave the State Treasury with millions of extra dollars and the SIF with highly questionable investments. Yet the legislation enacting these schemes declared them to be "reasonable, prudent, proper" undertakings by the SIF. The Governor and the Legislature have come to rely on looting the SIF to support

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LOBBYISTS OUTSIDE THE SENATE CHAMBER, ALBANY

their spending habit, while maintaining the pretense of a balanced budget.

It's Perfectly Legal

In 1983, after the first transfer from the SIF to the general fund, Brooklyn's Methodist Hospital, a SIF policyholder, sued the state, arguing that the SIF transfer violated the federal and state constitutions. Among the arguments were that the transfer constituted the taking of property without due process or just compensation, created a state debt without voter approval, and was an unlawful appropriation scheme and a de facto tax.

Ironically, the State Insurance Fund filed a "Points of Counsel" brief in favor of Methodist Hospital's arguments, even though it was named as a defendant in the case. The SIF brief emphasized the contractual rights of the policyholders and argued that the reserves "seized" by the state "constitute a trust fund in favor of the insureds and their beneficiaries." The SIF asked the court to order restitution of the $190 million.

The Court of Appeals, New York State's highest court, ruled against these challenges. The SIF, the court held, is a state agency "for all of whose liabilities the state is responsible, rather than a mutual insurance pool." SIF policyholders, according to the court, "have no property or contractual interest in the surplus of the Fund."

Thus, the state was given a free hand to use the SIF as a cash cow.

Third-Party Liability

State law specifies that the workers' compensation system is a no-fault system, its benefits "exclusive and in place of any other liability whatsoever." It was designed to protect both employers and employees from the financial consequences of work-related deaths and injuries. If an employee is injured or killed on the job, he or his survivors are entitled to compensation; the employer cannot argue that the accident was the employee's fault. At the same time, the employer cannot be held liable for additional

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compensatory damages for negligence. Workers' compensation insurance, mandated for nearly every employer in New York, is supposed to be the exclusive remedy for on-the-job accidents, regardless of fault.

There is, however, a major loophole in New York State's workers' compensation law. While an injured employee cannot sue his employer directly for damages, he can sue a third party, typically the manufacturer of a product that allegedly contributed to the injury. This third party can then sue the employer. If the employer is found to be partially responsible, it—or its insurer—can be forced to pay a share of the third party's liability. Thus, an employer can be held liable for an on-the-job injury or death—but only if another company is shown to be partially responsible.

This odd set of rules resulted from a 1972 Court of Appeals decision, *Dole* v. *Dow Chemical Company*. The Dow Chemical Company was sued by the widow of an employee who had been killed on his job at the Urban Milling Company when he inhaled a fumigant manufactured by Dow and used to control insects in grain storage bins. The New York State Supreme Court ruled that Dow was negligent because its labels did not provide adequate warning of the product's dangers. Dow brought a third-party complaint against Urban Milling, claiming that Urban was partially responsible because it used the fumigant improperly. The Supreme Court agreed and allowed Dow to recover some of its damages from Urban. The case made its way to the Court of Appeals, which upheld the judgment.

New York State has the dubious distinction of being the only state in the nation permitting third parties to recover damages from employers. In 44 states, employers are protected from any fault-based tort claims against them in cases involving worker injury or death; the third party in such cases would be liable for the entire judgment. In the remaining five states, employers can be held liable to a third party only for the amount they would otherwise be liable to the employee. Illinois recently adopted this reform, leaving New York as the last holdout. By compromising the integrity of the no-fault workers' compensation system, *Dole* subjects New Yorkers to a substantial and unique burden.

Paul Magaril of the New York Chamber of Commerce and Industry argues that "*Dole* only protects the interests of third parties—essentially out-of-state companies—at the expense of New York employers, without providing any additional benefits for injured workers." The New York Compensation Insurance Rating Board, a trade group, estimates that third-party liability claims cost New York employers $141 million in 1991. The New York Chamber of Commerce and Industry estimates that self-insured companies (approximately one in five New York employers) pay an additional $29 million per year, and that attorneys' fees for all New York employers cost another $20 million. Thus, the total estimated financial burden of *Dole* cases was $190 million in 1991 and growing.

The impact of third-party liability on the SIF has been particularly pronounced, in part because the fund is the insurer of last resort and is not allowed to reject high-risk insurance applicants. In 1990, the SIF paid nearly $60 million, or 14 percent of its total payments, for third-party claims, including legal fees.

Reforming Workers' Comp

In 1990, state officials missed a unique opportunity to reform New York's workers' compensation system. That year, when Governor Cuomo and the State Legislature were negotiating increases in workers' compensation benefits, several organizations, including chambers of commerce from across

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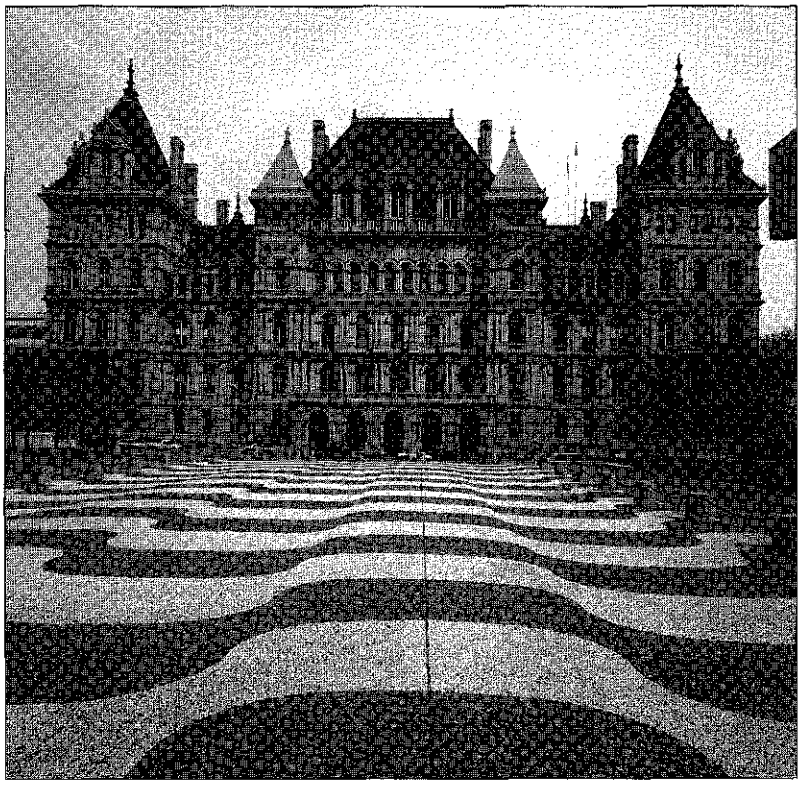

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NEW YORK STATE CAPITOL BUILDING

the state, called on the Legislature to bar third-party liability claims against employers in conjunction with any benefit increase. In the end, however, the state enacted only a large increase in benefits, which is expected to cost New York employers a staggering $1.8 billion annually when fully implemented in a brief two-year period. Not a single reform to reduce the fiscal burden on employers was included in the legislation.

Several steps should be taken immediately to reform SIF practices. The state should curb third-party lawsuits by passing legislation to repeal *Dole* v. *Dow*, thereby restoring the no-fault basis of New York's workers' compensation system.

No further transfers from the SIF to the state should be allowed. The SIF exists to provide workers' compensation coverage, not to provide easy cash for politicians in Albany. The state should establish a repayment schedule, with interest, to rectify past raids. The SIF could then pay larger premium rebates to policyholders, provide greater security that it will meet its liabilities, and, most importantly, reduce the rates it charges businesses for insurance.

The state should no longer force the SIF to make particular investments designed to accomplish goals other than ensuring the financial integrity of the fund. Mandated investments have misused workers' compensation revenue and compromised the intent of the SIF: to make investments aimed at reducing costs and ensuring an "affordable insurance package" for policyholders. The UDC investments are particularly irresponsible, since the SIF is not even guaranteed repayment of the original investment.

Finally, the state should examine whether it any longer makes sense to operate a public insurance fund that competes with private carriers. In 28 states that require employers to have workers' compensation insurance, private companies are the only entities that write these policies. In some states, the state government stepped in as a provider only in a crisis or to offer immediate fulfillment of the coverage mandate, but quickly ceased its involvement in the market once these temporary situations had been addressed. Ultimately, the best protection against political abuse may be to privatize the State Insurance Fund. ■

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Garbage Gridlock

Steven M. Polan

EDITOR'S NOTE:
New Yorkers produce 2,500 truckloads of garbage each day, almost all of which goes either to the Fresh Kills landfill or to out-of-state dumps. Both these options may soon be foreclosed. Recycling is a partial solution, but many of its advocates exaggerate its potential. To avert disaster, the city must build waste-to-energy plants, secure new landfill space, and adopt a realistic approach to recycling.

New York City has a garbage problem that may soon reach disastrous proportions. The city is fast running out of places to put its waste. Sixty years ago, New York had 89 active landfills and 22 operating incinerators; as recently as 15 years ago, the city still operated six landfills and six incinerators. With the recent closing of the Edgemere landfill in Queens, New York City's resources for solid waste disposal have been reduced to three aging incinerators, a nascent recycling program, and, most critically, a single enormous landfill site of two thousand acres on the western shore of Staten Island called Fresh Kills.

Each year New York's residents, institutions, and businesses produce some eight million tons of municipal solid waste (excluding sewage sludge, dredge spoils, and construction and demolition debris). This amounts to about 26,000 tons per day, or enough to fill more than 2,500 garbage trucks. It is by far the largest such waste stream in this country, probably in the world. To manage the residential and institutional components of this stream (and perform related functions, such as street cleaning and enforcement), the New York City Department of Sanitation employs some 11,500 men and women and spends close to $600 million in operating funds and $200 million in capital funds annually. Virtually all of its funds are derived from general tax revenues; New Yorkers are among the minority of Americans who get their domestic solid waste removed without charge.

About half the waste stream is produced by New York City businesses and collected by private carters, whose activities and facilities are regulated by the Departments of Consumer Affairs and Sanitation. Private hauling companies charge their commercial customers on the basis of volume; their collection fees are approved by the city. The haulers pay "tipping" fees at Fresh Kills or at out-of-city disposal sites and pass these costs on to their customers. Thus, New York City firms that generate waste have an incentive to control costs by limiting their waste production, while the haulers of their waste search for the least expensive disposal option.

Unlike commercial firms, residents in New York City have virtually no incentive to reduce their waste production. Meanwhile, in order to balance its budget, the city gov-

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FRESH KILLS LANDFILL, STATEN ISLAND

ernment has historically sought the cheapest lawful disposal option. And because the city's budget does not account for depletion costs, that option will continue to be Fresh Kills until it is filled.

Fresh Kills, opened in 1948, was originally intended to serve only as a stopgap until the city could construct a sufficient number of new incinerators to eliminate the need for raw-garbage landfills. For a brief period the city had some success; the last of 13 new incinerators came on line in 1962. Since then, despite the efforts of successive administrations, no disposal facility of any significance has been sited within the city's boundaries. At the same time, New York has been closing its landfills. Many were closed before they were filled, because they could not meet strict new environmental standards. Meanwhile, 10 of the 13 incinerators have been shut down because it was too expensive to retrofit them to meet increasingly rigorous air-pollution limits.

Today, Fresh Kills is estimated to have room for an additional 100 million cubic yards of waste, roughly eighty or ninety million tons. If dumping continues at current rates, the landfill will be full in about twenty years. It is possible, however, that Fresh Kills' capacity could be exhausted much sooner, or that the landfill could become unavailable altogether on short notice. Thus far, the city has been unable to advance a plan to cope with these risks.

Engineering difficulties may well shorten the life of Fresh Kills. The city's grading plan for one portion of the landfill involves building a mountain of garbage 437 feet tall, about the height of a forty-story building. This requires daily adherence to precise construction specifications, calibrated to assure that the slopes are steep enough to reach the projected final height, yet gentle enough to guarantee heavy vehicle access. Gradation must also meet regulatory requirements involving drainage and erosion control. As more and more waste push-

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Burial at Sea?

Richard Miniter

Unwarmed by the distant sun and untouched by ocean currents, the bottom of the Atlantic Ocean is perhaps the bleakest place on Earth. If Alex Copson is right, it could be the ideal place to dump some of New York's solid waste.

Copson's firm, the American Environmental Company (known as AMENCO), has patented a process for disposing of sewage sludge and incinerator ash on the sea floor. The refuse would be stored in specially designed modules and placed aboard container ships, which would haul the house-sized modules out beyond the continental shelf, more than five hundred miles from shore. Then the sealed containers would be dropped some four miles to the sea floor, well below the part of the ocean inhabited by fish and mammals. The modules would be opened, emptied, and dragged back aboard ship for re-use.

Copson believes such dumping would do no harm to the environment. At the present dump site for New York's sewage sludge, about a hundred miles off the New Jersey coast, scientists have observed very few changes in the ecosystem. "There have been effects, but they don't appear to be dramatic," Fred Grassle, a Rutgers University marine biologist, told the trade journal *Waste Age.* AMENCO plans to dump much farther out from the coast and much deeper into the ocean. Garbage would be kept at the bottom by tremendous water pressure, some four thousand pounds per square inch.

The proposed dump site is already highly polluted as a result of natural processes. Cracks or "vents" in the sea floor expose hot volcanic rocks to ice-cold sea water, producing boiling columns as tall as a skyscraper. These vents, known as "black smokers," release toxic concentrations of lead, iron, copper, zinc, and radon, a radioactive gas. Although they spew an estimated thirty billion tons of toxins per year into the world's oceans, high water pressure keeps the stuff near the bottom, so marine life in shallower waters is safe. Indeed, one vent system in the Pacific is only a few hundred yards below the major fishing and whale-breeding areas near Baja California.

The sea bottom has an ecosystem of its own, one which thrives on the pollution from the earth's crust. Living near the toxic vents are pods of clams, reefs of mussels, several kinds of crabs, and bright red tube worms. These creatures are chemosynthetic, not photosynthetic: They derive their energy from chemical reactions rather than sunlight, and are nourished by the toxic vents. MIT oceanographer John Edmond thinks human waste might actually act as a fertilizer for deep-sea life. Edmond developed the technology for deep-sea dumping in cooperation with Robert Ballard, the explorer who discovered the wreck of the Titanic.

Some environmentalists have criticized the plan. "Deep-sea dumping is a kind of inverted smokestack," says Beth Milleman of the Coast Alliance. "It's the ultimate out-of-sight, out-of-mind approach." This, of course, is precisely the appeal of the method, provided it can be shown to do no harm to the environment.

Oceanographers at MIT and the Woods Hole Oceanographic Institute propose a ten-year experiment to test the consequences of deep-sea dumping. Up to five million tons of sewage sludge —about one-twentieth the total amount of waste currently at the Fresh Kills landfill—would be dumped on the ocean floor during the decade-long test. The results would be carefully monitored by remote-controlled robot submarines and custom-built sensors that would detect any harm to sea life.

Researchers hope to secure federal funding for the pilot project, which they expect will cost some $180 million. But before Congress funds the experiment, it must amend the 1988 Ocean Dumping Ban Act. Passed amid public outrage over medical waste washing ashore in New Jersey, the law is so broad that it bans all ocean dumping, even for research purposes. (New York's practice of dumping its sewage at sea is required to end this year.)

Copson says his disposal method would be cheaper than many landfill tipping fees. If the experiment is allowed to proceed, deep-sea dumping might eventually become a feasible option in New York's solid waste strategy.

Richard Miniter is associate producer of the PBS program Technopolitics.

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Incinerators with properly operated and maintained pollution-control systems entail no significant risks

es the landfill to its physical limits, and a budget-strapped city limits funding for grade monitoring, it becomes increasingly difficult to meet the optimal grading plan.

Even greater problems may be lurking beneath the hill of trash. No one knows whether the landfill's foundation can support all the garbage at the intense rate of dumping the city plans. The dumping schedule must allow water to drain out of the soils below, and the city is now studying the underlying geologic structure to ensure that the rate of fill does not create the risk of landfill slide or collapse.

Another unknown is the amount of waste that will come to the landfill. Four years ago the City of New York doubled the tipping fee it charges private haulers at Fresh Kills. It did so because the landfill charges did not reflect the actual replacement cost, and the city could collect more revenues if its landfill were properly priced. The unintended consequence has been the best thing to happen in city waste policy in the last thirty years. The amount of garbage dumped at Fresh Kills each day has declined from 25,000 tons to 14,000 tons. To avoid the increased tipping fee, private haulers simply took their business elsewhere, principally to landfills in the Midwest. Each night hundreds of trucks and rail cars leave New York City transfer stations to haul garbage hundreds and sometimes thousands of miles away. As a result, New York is currently saving every bit as much landfill space as would have been saved had a plan, approved in 1985 by the Board of Estimate, for five new energy-producing incinerators proceeded on schedule.

Unfortunately, as waste-importing states like Indiana, Ohio, and Pennsylvania recognized that their own landfill capacity was being consumed by garbage from New York City, Long Island, and New Jersey, resistance to the interstate movement of trash intensified. The federal courts have consistently ruled that state bans on waste imports violate the Constitution, which gives Congress the power to regulate interstate commerce. But it is virtually certain that Congress will, sometime in the next few years, pass legislation permitting states to erect barriers to out-of-state waste. That could direct much of New York's waste stream back to Fresh Kills, potentially cutting its useful life in half.

A final problem threatens the future of Fresh Kills: It does not and cannot comply with current state regulations, because it is impossible to place a liner under forty years' accumulation of garbage. Under the most recent consent order with Albany, operations have been permitted to continue only until 1996, or until 2000 if certain conditions are met. Two sections of Fresh Kills will soon be closed, by agreement with the state, before they reach their physical capacity. And new restrictions could be imposed that will further limit the capacity of the site.

Since the mid-1970s, Sanitation Department planners have urged the construction of new resource-recovery plants in the city. These plants burn garbage to produce energy for sale to local electric utilities. Unlike the older generation of incinerators (which produce no useful energy), they are equipped with sophisticated and effective pollution-control features and burn garbage more efficiently, turning it into ash of only one-tenth the original volume. Beginning in

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1977, when a task force of the Departments of Sanitation and Environmental Protection estimated the need for up to a dozen new plants through the 1980s, resource recovery was the primary focus of disposal capacity planning. In 1980, the State Legislature authorized the city to enter into long-term contracts to finance these facilities. In 1985, the Board of Estimate approved a plan to build one new facility in each borough, the first to be sited at the Brooklyn Navy Yard.

The latter decision followed a lengthy and highly charged debate about the environmental effects and health risks associated with resource recovery plants. Over time, a wealth of data, scientific studies, and health risk assessments demonstrated to the satisfaction of the members of the Board of Estimate that modern plants with properly operated and maintained pollution-control systems entailed no significant risks. Leading environmental organizations, including the Natural Resources Defense Council and the Environmental Defense Fund, concurred and testified in support. Other environmental groups, as well as neighbors of the site in the Williamsburg area, opposed the project.

The administration's victory in 1985 was short-lived. The application for the Navy Yard project still required the approval of the State Department of Environmental Conservation (DEC). Opponents of the project again mobilized. The adjudicatory process was repeatedly delayed by the introduction of new questions requiring new study and additional hearings. Plans for the other four new facilities were put on hold. Finally, in 1989, the DEC commissioner formally concluded that the proposed plant posed no unacceptable environmental risk. The commissioner promised to issue a permit for the project, if the city would commit to a meaningful recycling program and dispose of incinerator ash separately from raw garbage.

The recycling condition insisted upon by the DEC was the primary factor leading the Koch administration to agree to a proposal for recycling put forth by environmental organizations and the City Council. Legally mandated recycling was thought necessary because the administration's commitment was highly suspect: Its 1985 plan to recycle 10 to 15 percent of New York's waste had not advanced appreciably, and it had repeatedly rejected separate collections of recyclables as too expensive.

In 1989, in the face of election-year pressures as well as pressure from the state, Mayor Koch agreed to mandatory recycling legislation, known as Local Law 19. This law established requirements for the recycling of specified daily tonnages of waste in both the residential and commercial sectors. It also required the construction of processing centers to sort and prepare the material for market, authorized the Sanitation Department to ticket households and businesses that fail to recycle, and directed the city to undertake a host of studies and initiatives aimed at fostering markets for recyclables. Taken as a whole, the new law attempted to institute profound changes in the way New Yorkers manage their trash and to alter the underlying economic forces at work in the waste and recycling marketplaces.

Just as the department began to struggle with the new law, its long-stalled but still primary disposal strategy—resource recovery—was thrown into doubt by the election of David Dinkins. In his election campaign, the new Mayor had pledged to delay resource recovery pending further environmental review and an assessment of whether an aggressive recycling program could satisfy some or all of the disposal capacity of the five large waste-to-energy plants deemed necessary.

These critical evaluations were to be made in two arenas. First, the recycling program would be tested on the streets of

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New York; by the fall of 1990 separate collection of recyclables was already being provided in one-third of New York's neighborhoods. Prompt expansion to the balance of the city was included in the city's four-year financial plan. Second, the future potential of recycling, and of all other conceivable waste-management strategies, would be assessed through the development of a state-mandated Comprehensive Solid Waste Management Plan.

When I became commissioner of the Sanitation Department in 1990, one of my first tasks was to evaluate the status and potential of Local Law 19. It quickly became apparent that the legislation was based more on enthusiasm about recycling than on objective analysis of what was realistic. Tonnage requirements and percentage goals had been established without examining the composition of the waste stream, determining what materials might be favorably sold in the recyclables marketplace, calculating what levels of public participation could be achieved, or forecasting whether processing plants could be built quickly (or at all) in communities intensely opposed to any waste-related facilities.

Moreover, neither the City Council nor the administration took into account the restraints embedded in the city's existing contract with the sanitation union. The city and the union had agreed, eight years earlier, to a reduction from three to two workers on each Sanitation Department truck in return for a daily productivity bonus for each of the two. The agreement, a successful productivity initiative of the Koch years, also restricted management's ability to revise the daily basic collection workload.

While the workload modification might have made sense in the early 1980s, it posed an enormous obstacle to developing an economically rational recycling program. As material is diverted from regular collection routes to special recycling routes, the workload on the regular route declines. But the city is contractually barred from compensating for this. If, for example, the regular collection route previously entailed picking up ten tons and recycling diverts two tons of that load, the city cannot add two tons to the regular route by extending it. Instead, after finishing the "lighter" route, the collection crew is permitted to return to the garage to idly await the end of the day. Nor can the city simply substitute a once-a-week recycling pickup for one of the two or three regular weekly garbage collections without union agreement.

The sanitation workers' union ultimately stands to benefit from a successful recycling program. Even without the inefficiencies fostered by the existing collective bargaining agreement (which are unique within the industry), separate collections and more dumping sites require more workers. Notwithstanding this potential bargaining chip, in 1989 the city began the recycling program without negotiating necessary contractual changes. In March 1992, the city granted the sanitation union a wage increase, accompanied only by an as-yet-unrealized labor-management process to evaluate new workload requirements. At the same time as the recycling collection work force grew from zero to 700, the city cut back on street cleaners, from 1,500 to 600.

The Sanitation Department's 1990 analysis of the city's program suggested that the cost estimates for recycling had been unrealistically low. Recycling currently costs nearly $300 per ton, four to five times what was projected at the time Local Law 19 was adopted, and much higher than the projected cost of either resource recovery or landfilling, even including the cost of replacing landfill capacity.

Part of the problem was that Local Law 19 misjudged the potential of recycling markets. The premise of the program was

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that if the city demonstrated its commitment to produce a supply of materials, demand would develop. Supply, however, is but one of the critical factors. Market demand is also affected by the relative cost and availability of virgin materials, relative cost of transportation and energy, existing capital investment and plant capacity in facilities that require virgin materials, and consumer demand for goods with recycled content. Consequently, while markets for some recyclables, such as aluminum, have been adequate, markets for most other materials have been unstable and usually poor. In 1991, for example, the city had to pay paper dealers $23 a ton to process and market newspaper, most of which was sent to the Far East.

The critical issue in evaluating recycling is how the costs of the entire process—separate collection, processing, and sales of the material—compare with the cost of burning or landfilling. When the question is asked this narrowly, recycling as mandated by Local Law 19 does not fare well. On the other hand, the current cost of $300 per ton can be reduced substantially as the program becomes better understood and participation increases. Processing costs can be lowered through the introduction of more-efficient separation equipment, and it is anticipated that markets for some materials, newspapers in particular, will increase significantly when the city contractually guarantees a long-term supply.

Even with all of this, it is highly unlikely that the cost of the recycling program can be reduced to the projected $160 per ton cost of resource recovery (including collection and ash disposal) or even the current $190 per ton cost of landfilling at Fresh Kills with depletion costs fully allocated. It is probable, however, that with a more rational approach to recycling, a portion of the waste stream could be recycled at an acceptable cost.

The experience of the commercial sector is instructive. When the city increased the tipping fee it charges private carters to use Fresh Kills, it focused attention on the potential of recycling to avoid disposal costs. Consequently, commercial recycling has begun to prosper in New York City. At private transfer stations across the city, significant portions of the waste stream are being separated (by hand or machine) before the residual is loaded on trucks destined for out-of-city landfills. Still other material, such as office paper and corrugated cardboard, is being collected separately. These activities are occurring because it is more economical to recycle certain materials in the commercial waste stream (which differs significantly in composition from the residential stream) than it is to landfill or burn. The lesson is that a market-driven recycling program can be a meaningful component of the city's overall waste disposal strategy.

For many people, recycling has much more to do with personal notions of environmental consciousness than with waste disposal

For many people, however, recycling has much more to do with lifestyle and personal notions of environmental consciousness than it does with waste disposal. In a culture that values convenience, where diapers are used only once and food servings are packaged individually, recycling makes people feel more virtuous about their own consumption and the waste it entails. Suggesting that the potential of recycling is limited by factors other than what is physically capable of being recycled in a laboratory environment puts the policymaker—and,

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more importantly, the elected official—in the uncomfortable position of seeming to condone a wasteful lifestyle and, by extension, the degradation of the planet.

For others, recycling advocacy is merely an effective tactic to oppose incineration, a cause which generates religious fervor among its adherents and a propensity to bend all facts in support of the mission. For this faction, admitting that the potential of recycling is limited would be to acknowledge that it is necessary to deal with part of the waste stream by other means. Landfilling is not practical as a long-term solution for New York City; thus, incineration is essential. (Ironically, since they make productive use of garbage, waste-to-energy plants should be regarded as a form of recycling.)

Given that there are limits on recycling, what percentage can we reach on an affordable basis? Many recycling advocates claim the answer is between two-thirds and 100 percent of the waste stream, but this is far too optimistic.

The Sanitation Department's Comprehensive Solid Waste Management Plan (issued soon after my departure but reflecting my views on this subject) predicts that some market will exist for roughly half the material in the residential waste stream, with a somewhat higher percentage in the commercial waste stream. But determining what percentage of this theoretically recyclable waste can practically be recycled is quite another matter. The actual amount recycled, known as the diversion rate, is limited by both the participation rate (the percentage of the population that sets out recyclables in separate containers) and the capture rate (the percentage of each participant's recyclable waste that is actually separated and is sufficiently uncontaminated to be suitable for reuse). Thus, if half the residential waste stream is recyclable, half the citizenry participates, and each participant separates half of his recyclable material, the diversion rate will be only 12.5 percent. Using optimistic but not outlandish assumptions about participation and capture rates, the city now estimates that a 25 to 28 percent diversion rate might be achievable in the residential sector and a somewhat higher percentage in the commercial sector.

Neighborhood diversion rates now range from less than 5 percent to almost 20 percent. One reason for this variation is that apartment dwellers, more than half of New Yorkers, have insufficient incentive to comply with recycling requirements, because it is nearly impossible for city enforcement agents to trace bags of trash back to individual households. Among densely populated neighborhoods with many apartment buildings, only the Upper West Side has a high diversion rate. Some cities with high diversion rates, most notably Seattle, provide an economic incentive to recycle. They charge for collection services, but pick up recyclables without charge.

The city's hope to recycle more than a quarter of residential waste can, in my opinion, be attained only if the city devotes substantial resources to educational and advertising campaigns of a sort not yet seen. Even under the best of circumstances, recycling requires changes in living habits that will need a generation to take hold.

Another difficulty in attaining a high recycling rate is that New York is uniquely constrained in how and what it counts. Newark, New Jersey, for example, includes scrapped automobile tonnage in its recycling percentage. Local Law 19 prohibits the city from taking credit for material that was commonly recycled before the law's enactment. Thus, the very substantial tonnage attributable to auto dismantling is excluded, precisely because it is a legitimate market-driven recycling activity. Bottles and cans that are redeemed for deposit likewise are not counted, even though they are usually recycled. New York City does, however,

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WOOD RECYCLING PLANT, BROOKLYN

take some liberties in order to maximize its recycling rate. For example, more than 40 percent of reported recycling tonnage comes from recycling street asphalt and dirt from vacant lots—two forms of recycling initiated after the passage of Local Law 19. Both of these activities save landfill space, but they are hardly what the public has in mind when it thinks about recycling.

I would argue that the constant focus on the maximum attainable rate of recycling in New York misses the point, and that the political obsession with meeting legislated goals undermines actual opportunities for success. There are simply too many uncertainties to project with any degree of confidence what rate of recycling might be achieved in New York City now, much less ten years from now.

Perhaps the greatest recycling challenge in New York is the one that is least talked about. In order to accommodate the thousands of tons of recyclables that the city will collect if it reaches its recycling objectives, it will need to build five or more processing facilities. These plants, sometimes called material recovery facilities or MRFs, provide the means to separate recyclable material and ready it for market.

The public enthusiasm for recycling does not extend to the construction of these facilities in their neighborhoods. We have already seen evidence of this in the opposition to the siting of private transfer stations, which have proliferated in recent years as places to consolidate, recycle, and transfer commercial waste before it is exported. Concerns about truck traffic, noise, odor, and air pollution, all of which are understandably perceived to affect neighborhood quality of life and property values, will be no less intense because the required facilities are related to recycling.

Assuming the City of New York resolves each and every uncertainty in favor of recycling, it remains an absolute certainty that some combination of landfill and resource recovery will be required for a significant portion of the city's waste stream. The long-term program in the Mayor's proposed plan issued in March 1992, which includes optimistic recycling projections, calls for burning a minimum of one-third and potentially up to two-thirds of the waste stream. The approach that limits incineration to a one-third share assumes diversion rates that can best be described as heroic, as well as separate residential collection of compostable garbage, a costly proposal of dubious practicality for most city neighborhoods. Moreover, while odors can be adequately controlled in both waste-to-energy plants and MRFs, food-waste composting plants sited in the city would emit air pollutants of uncertain environmental acceptability.

Given the city's own numbers, and even given a very optimistic assessment of recycling potential, the city should certainly move to construct waste-to-energy capacity to handle at least one-third of its waste stream. Still, the plan proposed waiting until 1996 before beginning to build the first of three or four facilities likely to be

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required. The delayed construction of new waste-to-energy facilities means that the city will continue to emphasize the most environmentally adverse form of waste disposal, dumping at Fresh Kills, needlessly consuming as much as twenty million cubic yards of the landfill's capacity, one-fifth of its maximum remaining useful life. And this assumes that incinerators—with ever more rigorous permit requirements—can proceed without delay at the end of the decade.

The decision to delay might have been understandable had the city's plan found new evidence that waste-to-energy plants create unacceptable environmental risks, or if new and better technology appeared to be on the horizon. But the public health analyses included in the city's plan agree with what every serious study here and elsewhere had previously concluded: that properly operated state-of-the-art waste-to-energy plants are environmentally acceptable. In fact, since 1985, when the Board of Estimate first approved the resource-recovery program, evidence that waste-to-energy is environmentally acceptable has grown even more convincing.

The State Department of Environmental Conservation, no friend of resource recovery, concluded in its 1989 decision on the Navy Yard incinerator that "the facility is capable of operating without any undue risks to the public or the environment." In 1990, the federal Environmental Protection Agency rated a variety of health-related environmental risks in the New York/New Jersey metropolitan area. The risks from motor vehicle emissions were ranked very high, landfilling was ranked medium, and incinerators were ranked low.

The city's own Solid Waste Plan analysis found that a full-scale incinerator program would produce very little pollution. New emissions of dioxin and heavy metals, except for mercury, would amount to an addition of less than 0.1 percent of existing levels. For mercury, the contribution to existing levels was somewhat higher, but not to the point of risk, even under the study's highly conservative assumptions. Moreover, the study did not take account of recent industry efforts and new state legislation intended to substantially reduce the mercury content of batteries, the source of 88 percent of the mercury in municipal solid waste. Neither did the study consider that each ton of trash burned replaces roughly one barrel of oil, thereby reducing the amount of pollution produced by nearby fossil fuel generating plants. Nonetheless, the study concluded that the public health risks of incineration were "negligible."

The decision to delay was the logical result of several coalescing forces: the Mayor's position in his 1989 campaign, the delayed expansion of recycling as a consequence of the city's fiscal crisis, the emergence of the City Council as the ultimate arbiter of land-use policy, and the enhanced political strength of recycling advocates.

Significantly, the Mayor had lent legitimacy to the incineration-versus-recycling dichotomy in the 1989 mayoral campaign. While all of his opponents in both parties had supported resource recovery, including the Navy Yard project, he alone had called for delay to await the verdict on recycling. Then, faced with an immense budget shortfall and very few options for reducing expenditures, the Mayor reluctantly undermined the credibility of his administration's commitment to recycling by proposing—as part of what came to be known as the "doomsday budget"—the suspension of the entire program for the 1991-92 fiscal year.

While funding was ultimately pieced together to save the program, the damage was done. The administration was no longer seen as sufficiently committed to recycling; the city, whatever it said or did, was not to be trusted. Recycling advocates gained the upper hand in the superficial political debate, which starts from the premise that all waste can be recycled. The same environmental

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groups that supported the Navy Yard in 1985 now called for putting the project on hold. In response to lobbying by these advocates, the City Council quickly enacted legislation giving itself veto power over the Mayor's solid waste plan, including resource recovery.

The Mayor, to his credit, was still willing to acknowledge the ultimate need for new incinerators, but also wanted to put forward a plan that was deferential to the possibilities of recycling and stood some chance of acceptance by the Council.

Even with the proposal to scale back and defer the city's previous waste-to-energy program, the Mayor's plan met strong resistance when it came before the Council. One longtime Council member observed that he had never seen such venom and ignorance displayed among his colleagues as on this issue. Thus, in August 1992, Council Speaker Peter Vallone managed to gain support for a compromise which at best represents a modest shuffle forward: While construction of one waste-to-energy plant will begin in 1996 (assuming it is not stymied in the permit process or stopped by litigation) and recycling expansion will be expedited, two old incinerators scheduled for upgrade in the Mayor's plan will instead be closed and the city will forgo plans to build a controversial ash landfill at Fresh Kills. As a practical matter this means that the city will sacrifice about one thousand tons per day of disposal capacity in order to build a new plant capable of handling three thousand tons per day, and the construction of that plant will depend on the uncertain prospect of securing an out-of-city disposal site for ash. In addition, planning for the other new waste-to-energy plants called for in the Mayor's original proposal will be put on hold; among the consequences will be the probable loss to other public uses of the few remaining sites in the city appropriate for construction of incinerators.

Though the press treated the compromise as a breakthrough in civic responsibility on the part of the Council, in reality it came at the steep price of sacrificing precious waste-disposal assets that another generation of political leadership will have responsibility to replace.

It is possible that our governmental institutions are incapable of handling this problem

Waste disposal in New York City is largely a story of the city government's inability to cope with public hostility toward new facilities, even though those facilities are necessary to accommodate the by-products of its citizens' lifestyles. Ultimately, New York will be forced by circumstances to face up to this dilemma. We are spending more of our limited tax resources on garbage disposal than ever before, and it will soon be apparent that our political system's inability to deal effectively with this issue hinders our ability to fund other essential services. This is true even assuming what is likely to be the best case: that we are legally permitted to continue to export garbage out of state to a handful of communities willing to take New York's garbage for exorbitant fees.

It is possible that our government institutions are incapable of handling this problem, that barriers of siting cannot be overcome within the existing political framework. It may take a real fiscal or health emergency to force meaningful action, and even then legislative or judicial actions from higher levels of government may have to override the city's decision-making mechanisms. For the time being, notwithstanding press reports to the contrary, New York's waste gridlock continues as the day of reckoning grows nearer. ■

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City Journal Interview

Setting a High Standard

City University Trustee Herman Badillo

In 1990, 39 years after he completed his bachelor's degree at City College, Herman Badillo was appointed by Governor Cuomo to a seat on the Board of Trustees of what had become the City University of New York (CUNY), a system with twenty campuses in the five boroughs. Badillo has emerged as one of the most independent-minded members of the board. He took a strong stand against Leonard Jeffries, the City College professor who gained notoriety for his anti-Semitic remarks. And he has raised fundamental questions about CUNY's direction—including whether it should continue its practice of open admissions or impose standards for students wishing to attend.

Badillo came to New York City from his native Puerto Rico at age 11. A 1954 graduate of Brooklyn Law School, he has a long history of public service. In 1962 he was appointed commissioner of the city's Department of Housing Relocation. He was elected to the Bronx borough presidency in 1965 and the U.S. House of Representatives in 1970. In 1978-79 he served as Ed Koch's deputy mayor for policy. He is now a partner in the law firm of Fischbein, Badillo, Wagner & Itzler.

Badillo was interviewed for the *City Journal* by Senior Editor Fred Siegel, a professor of history at Cooper Union; Peter Salins, a professor of urban affairs at Hunter College and member of the *City Journal's* editorial board; Randall K. Filer, a professor of economics at Hunter and also a member of the journal's editorial board; and Joel Segall, former president of Baruch College.

CITY JOURNAL: There is a widespread public perception that City University is not the institution it once was and that the individual colleges—especially City College, flagship of the system—are not as good as they were. To what extent is this accurate?

BADILLO: I think it's totally accurate. State and city funding for CUNY has declined by about $350 million or 33.5 percent since 1970-71, even as enrollment has risen almost 5 percent, to 200,000 in 1992-93. When public officials cut funds so drastically for a function as important as higher education, it demonstrates that City University has lost the massive public support it enjoyed as recently as twenty years ago. And legislators feel that City University is no longer a prime institution of learning.

CITY JOURNAL: Are they right?

BADILLO: Yes, and they will be more right. Reduced funding will force CUNY to rely more on part-time professors. In some

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of the colleges, I'm told, up to two-thirds of the faculty will be part-time. The quality of education will decline, and the classrooms will become more crowded.

The decline in CUNY's quality is reflected in the statistics. We have figures that show that 73 percent of students never graduate from the four-year colleges. At some of the community colleges, the dropout rate is as high as 83 percent.

CITY JOURNAL: Are these poor results related to the absence of admission standards?

BADILLO: Yes, but the problem really begins at the elementary and secondary school levels. Joseph Fernandez, chancellor of the New York public schools, has acknowledged that only 20 percent of city high school graduates who go on to CUNY have a meaningful high school diploma.

We should be ensuring that we have higher standards at the beginning of the educational process. Instead, we are now back where we were many years ago with the social promotion standard. When I came from Puerto Rico and began going to school in East Harlem, I thought America was very strange. In Puerto Rico if you did your work, you passed; if you didn't, you flunked. Here if you do your work, you pass; if you don't, you pass anyway—it's called social promotion. When I was deputy mayor, I set up a series of educational "gates." Under the gates program, students were evaluated each year, beginning in the first grade, to determine whether they were ready to advance to the next grade. Those who were not were given remedial work. After I left office, Chancellor Frank Macchiarola changed the educational gates to the fourth and seventh grades. This undermined their effectiveness: Every educator knows that if you don't do anything in the first, second, or third grade, by the time you get to the fourth grade it's usually too late. But at least the concept of gates was retained.

Now Chancellor Fernandez and Mayor Dinkins have quietly eliminated the educational gates. Once again, everybody passes, even those who do not perform. If you haven't dropped out by the time you get to be 17 years old, you get a diploma. Then you go on to the City University and have to spend years to get the equivalent of a high school diploma. We have abandoned educational standards.

CITY JOURNAL: Has CUNY done anything about this problem?

BADILLO: Our chancellor, W. Ann Reynolds, initiated what is known as the College Preparatory Initiative. All the university trustees voted for it. It attempts to mandate that by a given year the New York public schools must ensure that everyone gets a meaningful high school diploma. But this will not actually happen, since no money was ever appropriated for the Board of Education to meet this mandate.

In fact, the initiative as it was passed provides that anyone who doesn't meet these requirements in high school will simply take the necessary high school courses at CUNY. So we're going to continue the same thing we're doing now: taking anyone who gets a high school diploma, even though everyone concedes that it's often a meaningless diploma.

CITY JOURNAL: Are you saying, in effect, that open admissions unintentionally undermined the high schools by taking the pressure off them—that once open admissions began, few people cared whether the high schools did a good job, since everyone who wanted to could move on?

BADILLO: Yes. CUNY's senior colleges have a program called SEEK, which aims to help disadvantaged high school graduates. Because SEEK is for those who are *academically* as well as economically disadvantaged, it ends up being little more than a remedial program for those with phony high school diplomas. Today, about one-third of CUNY

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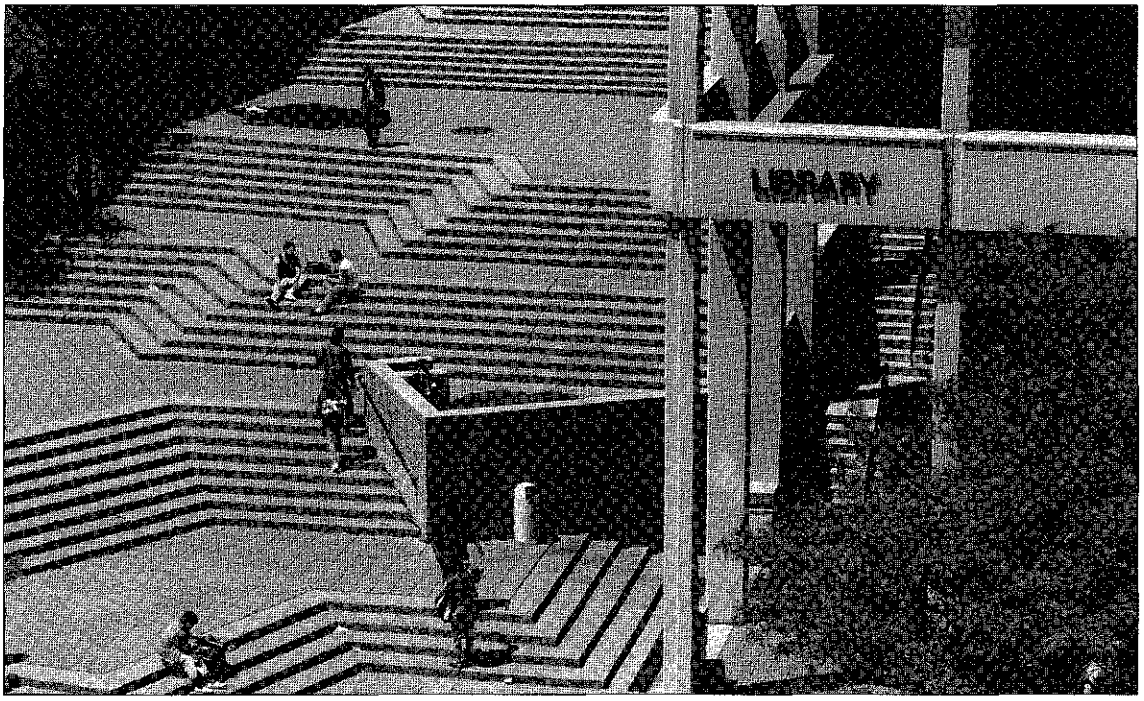

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QUEENSBOROUGH COMMUNITY COLLEGE

students are in the SEEK program, which was originally envisioned to be much smaller. I think SEEK is a good program, but it belongs in the high schools, not the colleges.

When I was running for Mayor in 1969, I came out against open admissions. I predicted then that it would lead to the kind of lowering of standards that would undermine public support for the City University.

CITY JOURNAL: To oppose open admissions in 1969 was probably very courageous. Would it still be courageous today?

BADILLO: It didn't help me in 1969, and I don't think it would help me now. But I still take the same point of view. A lot of people are afraid that if you flunk black or Hispanic kids, their parents will feel it's racist. That's not so. My experience has been that African-American and Latino parents want their kids to be evaluated the same as other children are.

CITY JOURNAL: Then you don't see this as an explosive or divisive racial issue?

BADILLO: No. You're not helping the African-American kids, the Latino kids, or their parents by letting them feel that they have a meaningful diploma when they don't. Ultimately they're not going to be employable.

CITY JOURNAL: Do you think that the rest of the political leadership in the African-American and Latino community would agree with you and be willing to say so on the record?

BADILLO: I think they would agree with me, but I don't know how many would be willing to say it on the record. In fact I know they agree with me, but I don't know that they're willing to lead the battle.

CITY JOURNAL: Is Herman Badillo willing to lead the fight for change?

BADILLO: I have been. I said these things in 1969 when I was running for office, and I've said them over the years, ever since I came here from Puerto Rico

CITY JOURNAL: Does CUNY have to wait until the high schools have their house in order before it can start imposing standards, or should it start now and hope that the high schools will respond?

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BADILLO: CUNY has to wait as long as CUNY has the remedial courses within its mandate.

CITY JOURNAL: Couldn't the trustees recommend to the State Legislature that there be such a change?

BADILLO: Let's put it bluntly: The trustees are not politicians who are going to go out and try to set policy. Ten of the trustees are appointed by the Governor and five by the Mayor. They tend to feel that policies should start at the level of the Governor and the Mayor.

CITY JOURNAL: Are you saying that the trustees merely serve as a buffer to insulate the Governor and the Mayor from responsibility?

BADILLO: People who are appointed by mayors and governors are not independent. That includes trustees of other agencies such as the Health and Hospitals Corporation or the State of New York Mortgage Agency as well as City University. It's just a legal fiction that they make their own decisions. If the Board of Trustees had the power to tax so it could raise its own budget, then it would be a real board. But when you don't have any fiscal powers, you are not really an independent agency.

CITY JOURNAL: If the Governor were to come to the Board of Trustees and say, "We have to cut back and we want you to impose standards in order to reduce the size of this institution," would the Board of Trustees do it?

BADILLO: I think so, if the Governor were to take the political heat for it. But the approach of the Governor and the Mayor has been simply to cut back on financial support for the institution. I have heard no suggestion of any positive initiatives coming out of either the Governor's Office or the Mayor's Office. I think they just wanted to cut spending. When you cut, you look for areas where you're going to have the least public outcry. For example, politicians know that if they cut a fire station, there's going to be hell to pay. But they now know that they can cut 33 percent from higher education and get away with it.

CITY JOURNAL: Have you had this conversation, or some form of it, privately with the Governor, and if so what was his response?

BADILLO: I have discussed some of these issues with the Governor's Office. I can make a difference in some minor amounts of money, but not in a cut of $350 million. I was helpful in saving New York City Technical College from being eliminated and in helping John Jay College, whose budget the Mayor had cut substantially.

CITY JOURNAL: Has CUNY had any success in influencing the city's public schools to improve?

BADILLO: Not really. All that we have happening is the CUNY chancellor and trustees telling the Board of Education what it should be doing and the Board of Education replying that it doesn't have the money.

The public school system is very resistant to change. For example, I've been trying to replace the obsolete internal combustion engines used for vocational training at the Haaren High School—now the High School of Marine and Aviation Trades—since I became president of the Bronx in 1966. I had a fellow who was willing to take the internal combustion engines in exchange for jet engines. But I was told that this couldn't be done because the teachers would need a two-year sabbatical to be trained in jet engines and there was no money for this.

CITY JOURNAL: To what extent would you support CUNY's colleges maintaining high standards in the classroom?

BADILLO: One hundred percent. I feel very strongly about this. I have the feeling that many employers who consider hiring CUNY graduates will look at the date of the degree. A pre-1970 degree is worth more in

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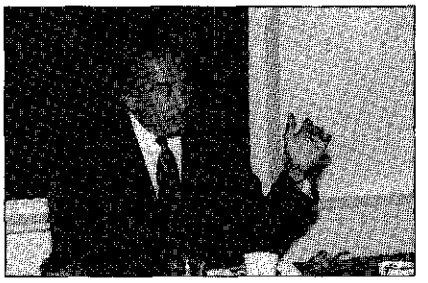
employers' minds than one issued since then. If college students aren't really learning and are getting phony college degrees, that's not helping either the students or society.

CITY JOURNAL: Are you saying that in the current environment, CUNY administrators should not worry about dropout rates but should focus more on the quality of the people who do graduate?

BADILLO: Absolutely. Right now, for example, I'm struggling with the so-called F-grade policy. In some colleges you can fail a course and then take it over and fail, and then take it over and fail again. There's no system-wide limit on the number of times a student can repeat a course. At Queens College it doesn't just apply to the F grade. You can take a course over if you get a C, and if you get a B the second time, the B counts.



This issue is now before the Academic Affairs Committee. It came up when the President of Staten Island College asked what the policy is. Nobody had asked the question before. Now we're trying to set trustee policy.

CITY JOURNAL: Other states that have faced this tension between access to and quality of education almost all have evolved the same solution: differentiating among the campuses and having different standards for each. The University of North Carolina at Chapel Hill, for example, has higher standards than the University of North Carolina at Charlotte.

BADILLO: The distinction here in CUNY is between community colleges and the senior colleges, not among the senior colleges.

CITY JOURNAL: Could we make a distinction among the senior colleges if each had different admission standards?

BADILLO: I think we could, but I don't know that it would make any sense. My view is that there should be standards, but there shouldn't be lower standards for one group of students and higher standards for another.

It would create a very difficult problem if each individual college had a separate admission standard. I'm concerned that some would require a real high school diploma and others would have lower standards.

CITY JOURNAL: Why is that a bad idea?

BADILLO: Because I think we should insist that high school diplomas be meaningful. I don't think you're helping things if you say the students with real high school diplomas go to Lehman College and the ones with phony diplomas go to City College.

CITY JOURNAL: Wouldn't it be better to save some of the campuses rather then allow the entire system to collapse?

BADILLO: You have to have standards for the whole system. If we give up on having standards, we'll end up putting the black and Puerto Rican kids in one college and the white kids in another college. That is what would happen, from a practical point of view. It would be regarded as racist, and it would not solve our problem.

CITY JOURNAL: The Queens Law School has had some difficulty with respect to standards. It was set up to encourage students to become public-service lawyers, but

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that mission has been difficult to reconcile with the conventional standards of law schools. As a result, its graduates have had very low pass rates on the bar exam.

BADILLO: I don't know why that should have been a problem. We do pro bono work in my law firm, and the lawyers we assign are no different from other lawyers. Lawyers who represent the poor should be as well-trained as those who represent the wealthy.

CITY JOURNAL: Given CUNY's shortage of funds, should it be supporting a law school, especially given the vast number of other law schools in the New York area?

BADILLO: Law-school tuition is very expensive. If we want young people from poor families to have the opportunity to become lawyers—securities lawyers as well as public defenders—then it makes sense to have a CUNY law school. Likewise, it makes sense to have a CUNY medical school or a CUNY graduate school. But they should all have high standards.

CITY JOURNAL: What is your view on proposals for a more multicultural curriculum?

BADILLO: There's nothing wrong with having multicultural courses, provided that standards do not become too loose. The problem with Professor Leonard Jeffries at City College is that he distorts the concept of multiculturalism. A majority of the trustees and faculty voted to support Professor Jeffries, suggesting that someone who goes around attacking Jews or whites in general is qualified to be chairman of a university department. Multicultural courses are fine, so long as they celebrate the values of the different cultures and do not degenerate into vehicles for attacking one culture or another. You can praise African or Latin American culture without attacking European culture.

CITY JOURNAL: Would it be reasonable to relax some requirements in traditional subjects like history or philosophy to make way for these new multicultural courses?

BADILLO: There's a traditional definition of the courses needed to earn a college degree—including electives. If you follow that path, there's plenty of leeway for courses in Afro-American studies, Latin American studies, Asian studies, American Indian studies, or whatever.

CITY JOURNAL: But the controversy is over whether such courses should be required of all students.

BADILLO: Maybe some should be, but that's something I would expect the college presidents to recommend to the Board of Trustees.

CITY JOURNAL: CUNY was founded in 1961, when five independent colleges were consolidated into one system. Over time, 15 other colleges were absorbed into the CUNY system. Was that a good idea? Should we rethink it and possibly give the individual colleges more administrative autonomy?

BADILLO: I don't support the idea of a huge bureaucracy in any department. I don't think that these massive consolidations have worked in education, or in health, housing, welfare, or other areas. I generally favor giving more power to the individual colleges. As to the form this would take, I would expect it would be based on recommendations from the college presidents.

CITY JOURNAL: Should the City University be merged into the State University system?

BADILLO: Since I don't think establishing CUNY was such a great idea, I don't think it would be a good idea to merge SUNY and CUNY. We would have a bigger bureaucracy and even fewer benefits coming down to the individual colleges. I don't think bigger and bigger mergers of public institutions are the way to go. ■

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URBANITIES

The Valley of Ashes

F. SCOTT FITZGERALD AND ROBERT MOSES

Roger Starr

A city is unquestionably the most complex work of human art, shaped by millions, sometimes over the course of centuries. If epic poets described men in relation to nature, twentieth-century novelists have found in the city metaphors that can at once illuminate the lives of individual characters and distill the whole of human experience.

Just as Dubliners take pride in the facets of their city immortalized by James Joyce, so New Yorkers take pride in the rich metaphors a host of novelists and poets have discovered in their city. It may be a source of melancholy pride that one of the most memorable descriptions in American literature was inspired by the vast cinder dump that accumulated along the west bank of the Flushing River in Corona, Queens. F. Scott Fitzgerald described the dump as the "valley of ashes," and the elaborate metaphor he constructed comprises a central figure in *The Great Gatsby*.

The valley of ashes was the narrow channel through which the railroad traveler had to pass on his way between New York City and the resort villages of East and West Egg on the North Shore of Long Island. Fitzgerald described the scene in these words:

> a fantastic farm where ashes grow like wheat into ridges and hills and grotesque gardens; where ashes take the form of houses and chimneys and rising smoke and, finally, with a transcendent effort, of men who move dimly and already crumbling through the powdery air. Occasionally, a line of gray cars crawls along an invisible track, gives out a ghastly creak, and comes to rest, and immediately the ash-gray men swarm up with leaden spades and stir up an impenetrable cloud, which screens their obscure operations from your sight.

Above it all is Fitzgerald's unforgettable image of a gigantic pair of bespectacled eyes brooding from an old billboard advertisement over the dismal landscape.

The valley of ashes seems to mark the separation between the older American aristocracy, which once exclusively occupied East and West Egg, and the new urban Americans. That this narrow aperture should grow from a heap of ashes and refuse suggests that in the triumph of the industrialized, commercialized, and banalized world to come, the American dream of open horizons and limitless possibilities

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Roger Starr is editor of the City Journal. *This article is adapted from one that originally appeared in the premier issue of* New York Affairs *in 1973.*

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F. SCOTT FITZGERALD

would be reduced to a burned-out, undifferentiated mass.

There is no suggestion in Fitzgerald that this heap of ashes could change through human action or that the future could be anything but sterile. Man's fate is to return to ashes because, as the narrator of *Gatsby* suggests, the verdant country which the discoverers of the American continent saw before them had been destroyed beyond reconstruction.

What, then, shall the reader make of the strange twist of fate by which the valley of ashes, that changeless emblem of man's fate, has totally disappeared? It is as evanescent as smoke. A literary traveler visiting Corona finds not an ash dump, but Flushing Meadows park, larger even than Central Park, adorned with two lakes (one of them for sailboats), an art museum, a golf course, a zoo, the National Tennis Center, and the New York Hall of Science (which Frederick Law Olmstead once proposed to place in Morningside Park).

To find that Fitzgerald's ghostly reality has utterly disappeared engenders an initial disappointment like the sentiment experienced by overseas admirers of Sherlock Holmes who, on their first day in London, learn that 221B Baker Street does not exist and that Baker Street itself is not narrow, dark, and gaslit, but a wide business street in which a hansom cab would be as misplaced as an elephant. But when one visits the old site of the valley of ashes, several questions stir restlessly in one's mind. Fitzgerald claimed that man's future in the industrial society was as bleak as the valley of ashes. Is one to conclude from the transmutation of the valley into a verdant dell (the flowery language is almost irresistible) that Fitzgerald was completely wrong? Shall we say that Robert Moses—the man who made the valley of ashes disappear—was an artist of a different sort, one whose material was the city itself?

Ironically, the very description of the valley in *Gatsby*, which was intended by Fitzgerald as a symbol of an unchanging fate, may have been a factor in the valley's eventual disappearance. We know that Moses, then parks commissioner, was responsive to Fitzgerald's description of the valley of ashes and to the book as a whole. In writing of *The Great Gatsby* in 1934, Moses said it "remained a good yarn even after the Depression had leveled off the moraine of gold deposited on the North Shore in the delirious Twenties."

The valley of ashes was a marshland of two to three thousand acres that surrounded the mouth of the Flushing River on the north shore of Long Island. The major flow

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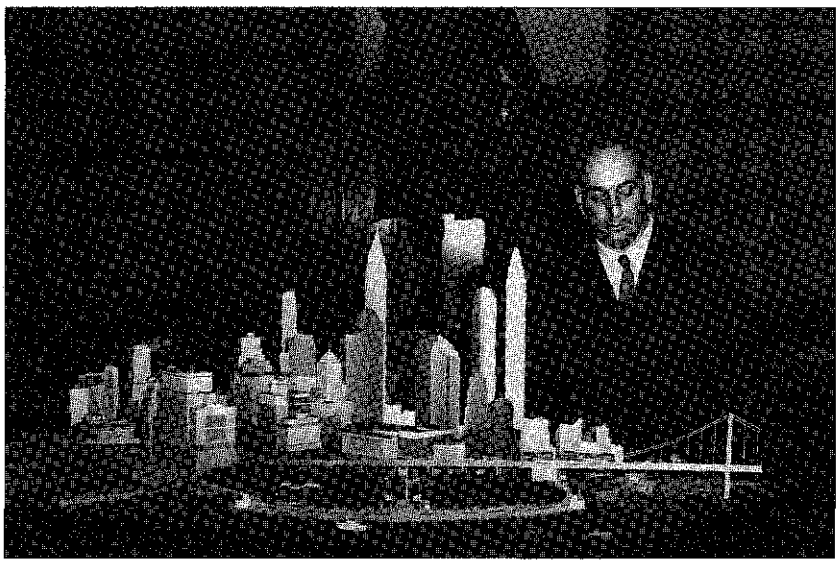

ROBERT MOSES

of water in this little river is tidal, not fresh; primarily it is an inlet into Flushing Bay, which is itself an arm of the East River. Originally, these marshes were both beautiful and biologically significant, but by 1925, when *Gatsby* was written, they had been fouled by the city's garbage.

The marshes were also the final resting place for another type of city refuse—ashes. Since oil as a domestic heating fuel was virtually unknown in the 1920s, ashes were produced in vast quantities by the coal-fired burners in practically all the buildings of the city. At that time, the city's own dumping grounds were insufficient, so it paid private operators, including the Brooklyn Ash Removal Company, for the privilege of dumping on their property.

There are still a few New Yorkers who remember the Corona dump under the ownership of the Brooklyn Ash Removal Company. Its chief executive officer, John A. "Fishhooks" McCarthy, sat under a beach umbrella on an old rocking chair, and personally tallied each truckload of material as it arrived. The Brooklyn Ash Removal Company also allowed people to scavenge on the dump for items which had been thrown in the ash cans as they waited for the removal trucks. The scavengers were only a minor source of income, perhaps $4,000 per year at the Corona dump, but it was entirely net profit.

In 1934, Mayor Fiorello La Guardia's reform government ended privately owned dumping grounds in the city, for it was clear that public operations employing civil service workmen would be cheaper. (The balance might be somewhat different today!) The Corona dump was designated as parkland, and the city moved to acquire the lands and property of the Brooklyn Ash Removal Company. In practice, this turned out to be difficult. "Fishhooks" McCarthy had some very good political connections, was a friend of the archdiocese, and hired excellent lawyers; but after many legal battles, by June 1934, the company agreed to sell the Corona dump and other properties to the city for $2,775,185.27. Thus, the city became the owner of the valley of ashes.

Two problems remained. The first was what to do with the ashes if they were not to be put in the Corona dump. This was solved by developing large-scale landfill projects in Staten Island, Pelham Bay, and Jamaica Bay. The second problem was what to do with the Corona dump now that the city owned it.

Robert Moses has written that the city could neither begin to pay for the cost of removing what was by then a mountain of cinders, nor pay for constructing the park. The valley of ashes might have remained indefinitely as Fitzgerald had described it were it not for the fact that Parks Commissioner Moses had several other

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strings to his bow. He was at one and the same time secretary and executive chief of the Triborough Bridge Authority, which was building the bridge that would connect Manhattan, the Bronx, and Queens; and he was also chairman of the Long Island State Park Commission, which was building the Grand Central Parkway to connect the Queens end of the Triborough Bridge with the central spine of Long Island.

Moses decided to use his several powers to get rid of the dump. He planned to construct the Grand Central Parkway along the western edge of the Corona-Flushing dump, cutting a path through the mountain of cinders. This scheme offered a way to begin removing the mountain: Some ashes would be needed to fill low spots on the parkway route, and some could be used to fill Horse Creek, a minor tributary of the Flushing River to the west of the Grand Central Parkway. Moses hoped to save enough money from the highway construction fund to coat the vast mountain to the east with a thin covering of topsoil and grass.

Photographs of the early construction scenes of the Grand Central Parkway indicate what the area would have looked like when finished. A thin strip of landscaped roadway would have skirted the edge of the valley of ashes. The rest would have been park in legal name only.

The Flushing Meadows Park that New Yorkers know today came into existence not because the citizens of 1934 were willing to tighten their belts in order to make a park possible, nor because planners were able to persuade the state or national legislature that long-range wisdom called for a park constructed on the cinder dump. The park came about because a small band of New Yorkers thought in 1934 that the city should stage a World's Fair in 1939 to mark the 150th anniversary of the inauguration of George Washington in New York. When this group reached Moses, and its members agreed that the Flushing Meadows would be a suitable site for the fair, he brought his influence to bear on their behalf, for he realized that if he could not get legislative money for a park, he might be able to get it for a World's Fair. At the very least, the fair money would pay for leveling the mountains and landscaping the terrain, and if things went well, the money would pay for the installation of many of the basic park facilities.

And so it turned out, two fairs and one United Nations later, that the city got Flushing Meadows Park with hardly any basic budgetary expenditure on its own, except for the condemnation costs of acquiring the land that was needed to supplement "Fishhooks" McCarthy's holdings and, of course, the cost of acquiring the dump from McCarthy and his company.

Although it looks easy in retrospect, the orchestration of the several projects—the Triborough Bridge, the Grand Central Parkway, the World's Fair, the removal of the cinders, and the preparation of the park facilities—required of Moses a tyrannical mastery of raw material that resembles the activities of a composer integrating a complex symphonic score.

For example, in the late winter of 1936, six months after the original sponsors of the World's Fair had announced their plans, Moses felt that the coordination of the parkland, the parkway, and the Triborough Bridge was imperiled by the State Legislature's delay in voting funds for the preparation of the World's Fair site, so he ordered the legislators to proceed at once. Obviously, no such order would sway the legislators unless there were a threat behind it. Moses's threat was simple: He would proceed immediately with the construction of the Grand Central Parkway at its *original* grade. This would have altered the whole land configuration in such a way that there would have been no basin in which to stow the cinder mountain! The legislators, faced with having to take responsibility for

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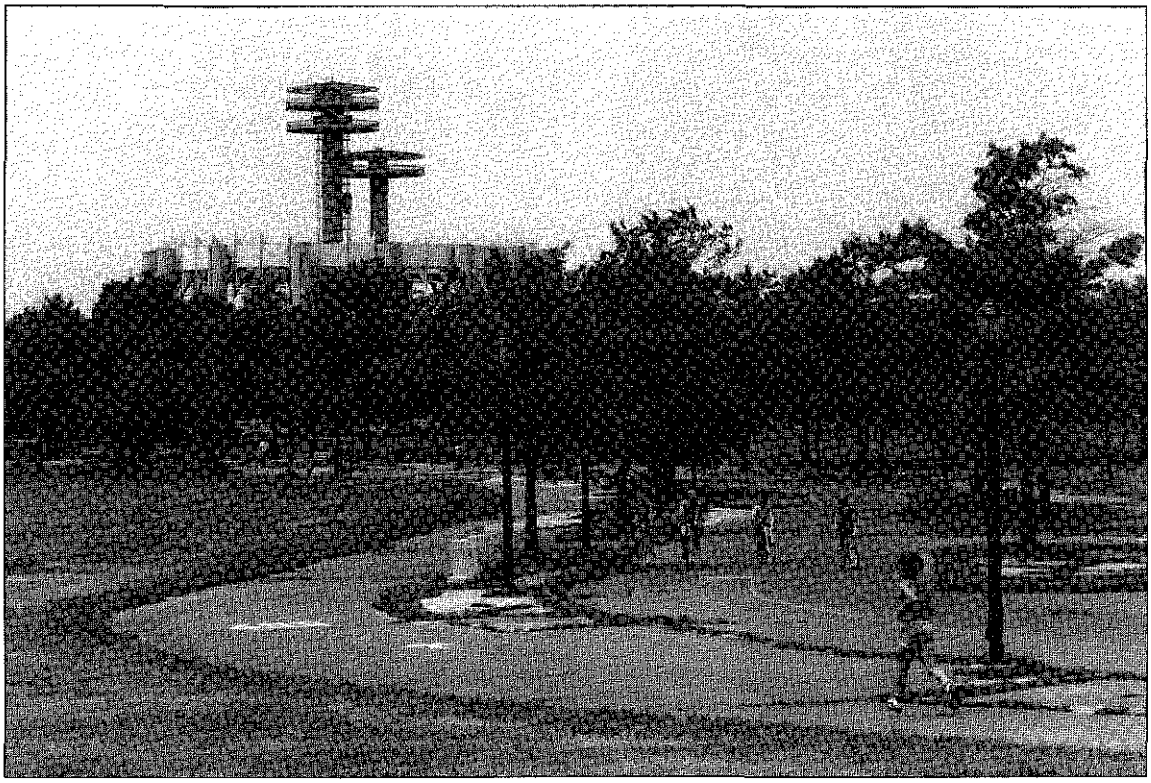

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FLUSHING MEADOWS PARK

the failure to provide a proper setting for the fair, passed the necessary appropriation the following day.

The Moses technique was applied continually over the next year. In June, when the city received bids from contracting firms for the work of moving the cinders throughout the park area, Moses demanded that the Board of Estimate reject the two lowest bids on the grounds that the contractors were unqualified to complete their job on time. There were noisy objections from the contractors and their lawyers, and Borough President James Lyons of the Bronx cried that he refused to be stampeded by a "speed demon"—but the Board of Estimate accepted Moses's recommendations.

Later in June 1936, after the city had acquired about five hundred acres of land to round out the Brooklyn Ash Removal Company's holdings, Moses demanded that the buildings be evacuated so that highway construction and grading could proceed. It may seem incredible to those who have lately tried to clear sites for public improvements, but it is a fact that residents were given thirty days from the time of acquisition until their eviction by marshals. Moses magnanimously increased this by another thirty days; but at the end of that time, the marshals descended on the remainder of what is now Flushing Meadows Park, and all its occupants left—including a tombstone manufacturer whose inventory was more difficult to move than people.

Moses has calculated that over $220 million in public funds were invested in the permanent facilities in and around Flushing Meadows Park. The largest share came from the highway funds that paid for the Grand Central Parkway, the Van Wyck Expressway (along the east side of the park), and the Long Island Expressway. It might be argued (and has been) that the figures are somewhat misleading because only a small part of the highway funds was actu-

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ally spent on the park itself. But it can also be argued that without the highways, and the highway funds, there would be no access to the park today.

It is also true that the representatives of the people of New York City voted practically no funds from city sources for the development of the park itself. Anyone who has seen the other major parks in New York City which lack development, such as Marine Park in Brooklyn, would be skeptical of whether the city would ever have allocated enough money to develop Flushing Meadows Park.

The valley of ashes lives on only in literature. Few who spread their blankets under the trees of Flushing Meadows or play soccer on its fields are aware that they are enjoying themselves on the grounds of Fitzgerald's wasteland. Instead of a barren wilderness, parkgoers find something closer to the haunting image at the book's close, "a fresh green breast of the New World" that flowers for generations of New Yorkers to come.

IN APPRECIATION

A Book Lover's Guide to New York

Francis Morrone

Bookshops, perhaps even more than other institutions that purvey culture, are the intellectual lifeblood of a city. Madge Jenison, who owned a bookshop in New York in the 1920s, wrote that bookshops are "more important than universities, than schools, than public libraries, because they cater to maturity and are in the thick of affairs and work." Joseph Epstein puts it somewhat less loftily. Bookshops, he says, are the intellectuals' equivalent of pool halls.

Every great city harbors its hard core of bookshop addicts. The historian Paul Johnson and the sociologist Edward Shils are among those who have likened their bookshop habit to an addiction. "My case is an extreme one," Shils writes, "and there are perhaps few people in my generation, more or less in their right minds and heavily engaged with all sorts of duties, who have spent so much time in bookshops as I have." If I can claim all too little else in common with these estimable men, I can at least claim to share their addiction.

I am a bookshop rat. One day I might be seen browsing among the back-date magazines at Ruby's Book Sale on Chambers Street, the next perusing the calf-bound folios in a rare book room on 57th Street.

I also spend time in large general bookshops that sell a wide range of serious new books, including those of university presses and small presses. But bookshops like these, because they specialize in the finite realm of in-print books, reach a certain level and can go no higher. They are, to the bookshop rat, without surprises. Stores that sell used books, on the other hand, deal in infinity. Drawn by such a prospect, I will not stay long among the merely in-print.

Some people go on pub crawls. I go on bookshop crawls. I may start uptown, at 107th Street and West End Avenue. Pomander Bookshop is, as used bookshops go, a clean, well-lighted place. It is a small, serious shop of the variety that keeps only good books on its shelves, since there is too little space for junk.

My next stop might be Gryphon Book Shop, on Broadway at 80th Street, which offers an outstanding and reasonably priced selection of "vintage" mass-market paperbacks. I must confess a certain weakness for 1950s and 1960s editions of Vladimir Nabokov or Graham Greene, in which these

Francis Morrone is a freelance writer whose guidebook to New York architecture will be published by Peregrine Smith in spring 1993.

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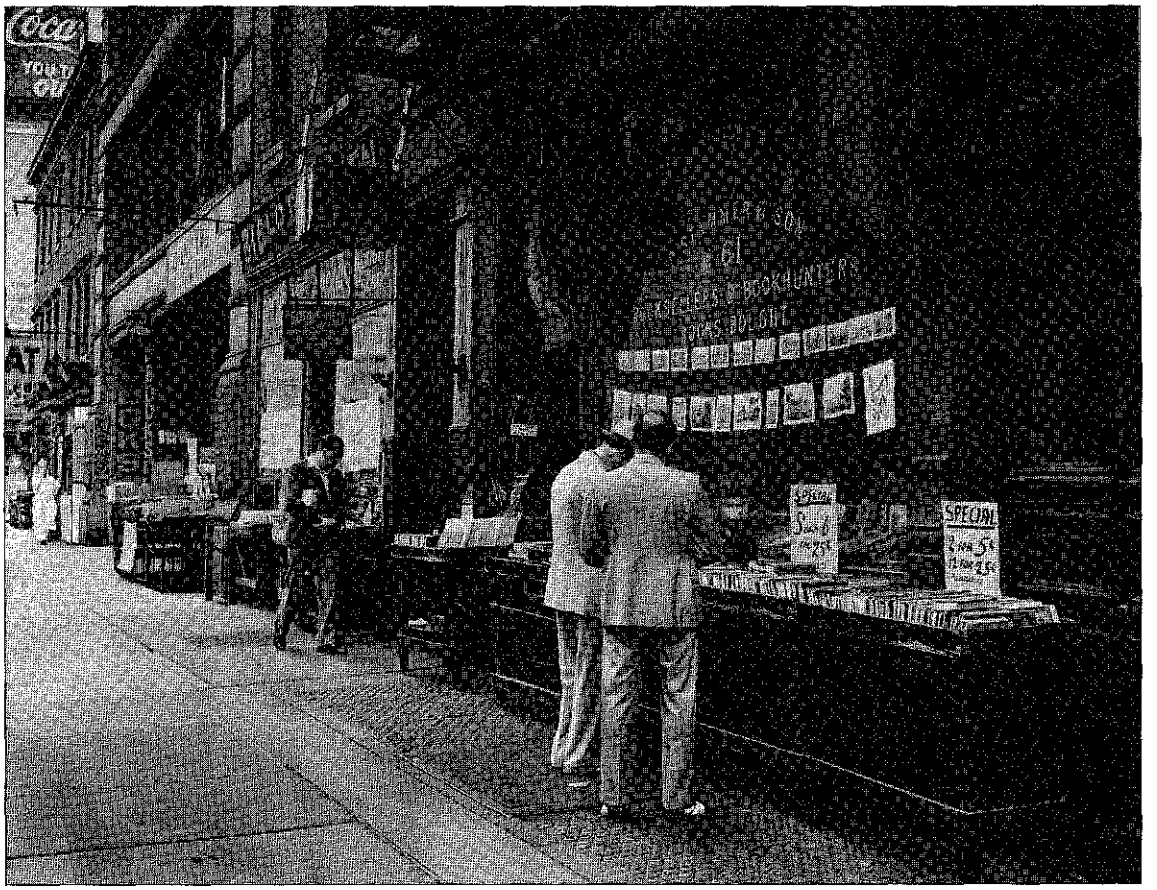

COURTESY OF NEW YORK BOUND BOOKSHOP

FOURTH AVENUE CIRCA 1950

authors' works are made to appear the most sensational potboilers, complete with lurid covers that seem always to include a woman in a bra.

A cab or the 79th Street bus will take me across town to York Avenue. Between York and East End Avenues, in the basement of the famously endangered City and Suburban Homes, is the Bryn Mawr Book Shop, one of a national network of used bookshops that raise money for the college. This damp, cavernous space holds a surprisingly large stock of used books in a variety of categories, and though there are few treasures to be found, this may be Manhattan's least expensive used bookshop.

A few blocks down York, between 73rd and 74th Streets, is Appelfeld Gallery, the first "antiquarian," as opposed to merely "used," bookshop on my crawl. That is, it deals in high-end goods such as first editions, fine bindings, and complete sets of authors' works. I have no interest in first editions or fine bindings, but I find Mr. Appelfeld's selection of complete sets to be mouthwatering. Every truly bookish person fantasizes about bookshelves lined with uniform sets of his favorite authors' works. At Appelfeld, complete sets, in unostentatious bindings, range in the hundreds of dollars, and it seems to me that the prices for full sets of Tolstoy, Ruskin, Dr. Johnson, or Trollope are quite reasonable.

I end this particular crawl at Argosy Book Store on 59th Street, between Park and Lexington Avenues. This well-staffed six-story department store of books is where I go for Americana, history, and biography. It also sells prints, and its general selection of old maps is probably the best in the city.

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The first floor has a large selection of remarkably clean, well-maintained used books, particularly strong in general belles-lettres. On a recent visit I found, for $15, an edition of John Ruskin's *Sesame and Lilies*, published by A.C. McClurg of Chicago in 1885—the very edition that fired Midwesterners' imaginations in the Ruskin craze of a century ago. Such a book, though it does not qualify as rare, is every bit the relic a first edition is.

A downtown crawl would focus on the Strand Book Store, on Broadway at 12th Street. The Strand is the largest, by far, of the city's bookshops; in the style of McDonald's, a sign out front boasts that the shop has over two million books in stock. The young, bohemian, sometimes surly clerks set an admirable tone: no mere politesse is allowed to stand between a man and the books he wantonly craves. (In this, the Strand is a microcosm of its city, though, to be sure, most New Yorkers' wanton cravings are not for books.) Some bookshops are for gourmets of the printed word; the Strand is for gluttons. The best sections are literary criticism, history, and art. Downstairs, the collection of review copies of recently released books, sold at half price, is breathtaking. The general literary selection upstairs in the rare book room is commendable, and the prices competitive. A recent haul included several back numbers of *Hound and Horn*, the excellent literary magazine edited by Lincoln Kirstein at Harvard in the 1930s.

Alas, in New York today no bookshop crawl is nearly so grand as was possible in the heyday of the Fourth Avenue used book district. With the Astor Library, forerunner to the 42nd Street Library, on the south (in what is now the Public Theater), and the offices of several major book publishers on the north, bookshops settled here because this is where the bookish people were. In addition, rents were low, since this was one of those well-trafficked but peripheral neighborhoods, filled with factories and lofts. At its zenith, in 1947, there were thirty used bookshops here, including such legendary establishments as Schulte's and Stammer's. By 1974 there were nine bookshops left on Fourth Avenue. Today, only the Strand and the Pageant remain of what once was America's fabled booklovers' mecca.

These days there is a feeling among booksellers and their customers that New York, the publishing and communications capital of the world, has become a second-rate bookshop town. In the words of one crusty old New York bookman, "I tell you, New Yorkers don't know books, don't want to know them. . . . Of course there are our modern book collectors. . . . They buy books as an investment, just like pictures. . . . You can hardly call such people booklovers." Plus ça change: the speaker is E. A. Custer in 1918.

Thirty or so years after Custer's remarks, author Helene Hanff complained that she could not find clean, inexpensive, hardcover copies of numerous English literary classics in New York. I do not know how hard she looked, but she ended up sending away to London, and her decades-long correspondence with her London dealer, Marks & Co., composes her charming bestseller *84, Charing Cross Road*. Most of the books mentioned by Miss Hanff in her letters are ones I, too, have sought—and have had no difficulty finding in New York. Could it be that New York today, to use Miss Hanff as evidence, is actually a better book town than it was during the heyday of Fourth Avenue?

Still, in recent years New York has been eclipsed by other cities as a book town. Now the best bookshop crawls are in Evanston, Illinois; Cambridge, Massachusetts; and Bethesda, Maryland. A person with a car can make as good an afternoon's haul in the suburbs of northern New Jersey as in Manhattan.

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If the decline of Fourth Avenue is the bookshop rats' lament, low profits are the booksellers' lament. "There is a special and curious situation in the book trade different from that which exists in any other undertaking where buying and selling are carried on. It does not support the people who do it," wrote Madge Jenison in 1923. "Every bookseller is dying for his country."

If bookselling has declined in New York, it may have less to do with rising rents than with rising expectations. Today, young people setting out for careers in the arts do not expect they will have to sacrifice much. "One tends to forget how much in the way of comfort and amenity artists and writers were willing to give up in order to live here even in the so-called good old days when rents were undeniably cheaper," Hilton Kramer has written. "What has changed, of course, is not only the price of real estate but an entire attitude toward life." Corporate and government largesse have transformed the arts from a calling for the few into a career option for the many. There once was a certain nobility to the slightly seedy lifestyle consecrated to cultural pursuits. No longer.

Bookselling, which has always required a great sacrifice of comfort and amenity, has not received the same consideration as other arts have. Sometimes I think it is the last calling that has not been thus corrupted.

Booksellers have, at times, petitioned for government relief. In the 1970s, the booksellers of Fourth Avenue petitioned the city to grant protective zoning, as had been done for the garment and theater districts. In the 1980s, booksellers were among the vociferous champions of commercial rent-control legislation. I should like to think such measures represent a kind of paternalism that self-respecting, fiercely independent booksellers would prefer to live without.

Booksellers do need the same help all small businesses need in New York: less crime, more-rational taxation, a sharp decrease in burdensome regulation. But bookselling is more than a business. "[Booksellers] don't aspire to commercial success," wrote Guido Bruno in 1918. "If they make a living and can read constantly, that's their reward in life." Or, as the proprietor of a used bookshop told Bruno, "A few pennies that we might gain might mean the perdition of lives and souls."

Letter from Astoria

Patricia Kean

Astoria is often seen first from the air or, more precisely, from the elevated tracks of the N train approaching Ditmars Boulevard, the last stop on the line. As the city's skyline recedes to picture-postcard size, new landmarks come into view—the Greek Orthodox cathedral and school of Saint Demetrios, the green expanse of Astoria Park, the arches of the Triborough and Hell Gate bridges, and finally, as the cars rumble to a halt, the humble Council and law offices of "P. Vallone," whose second-story windows are almost close enough to open from the platform.

Look to either side of the el, and "village" might be the word that comes to mind. Off in the distance, beyond the starkly modern dome of another Greek church and the red-tiled roof of its Catholic counterpart, sit rows of cookie-cutter brick homes, punctuated here and there by low-lying apartment houses. Walk down to the street, and you reach a combination shopping strip/open-air bazaar that stretches for several blocks in any direction.

Ralph Lauren won't be opening a branch here anytime soon. Astoria, the

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neighborhood where I grew up, has always been blessed with a kind of brassy, tough-guy anti-charm. In the stores, chipped mannequins sport the latest in spandex, big hair technicians make big hair, and ice cream never gets much fancier than Carvel. On the avenues, cars thumping rap and salsa peel out on principle, tires wailing. Off to the side, the elderly take it all in from benches, their voices rising above the din of kiddie rides blaring munchkin music. And all the while, a never-ending stream of shoppers, students, office workers, cops, even a few stray hipsters, flows up and down Ditmars Boulevard, part of the vast human tide crashing into and out of the city.

Just a few blocks away, something close to quiet reigns. Neighbors who have grown gray together tend bumper crops of roses in front of two-family homes often filled with extended generations of just one family. Elaborately arranged "play dates" are both unheard-of and unnecessary; kids ring each other's bells and run around outside until well after dark. And on any given day, Astoria remains a place where I'm likely to see half the people from my eighth-grade class, as well as people from more than half a world away.

For decades, this working-class enclave has been dominated by a single ethnic group—the Greeks. Today, however, Astoria finds itself in the middle of a sea of cultural change. The familiar sight of little old ladies dressed in black despite sweltering heat is giving way to glimpses of Indian women wearing delicate saris in the snow. The Greeks, who once supplanted the Irish and Italians, are beginning to yield, not to a single wave, but to a steady trickle of immigrants from Asia, the Middle East, and Latin America, and even to the next generation of Irish, whose brogue sounds as exotic in these parts as Greek once did.

Meanwhile, a neighborhood that used to offer sanctuary from urban woes now finds trouble on its own front stoop. Old-timers like Mel Hacker, who has run the Treasure Cove card store here for more than thirty years, speak wistfully of a way of life that seems to be receding before them. "I love Astoria," Hacker says, "but it's starting to decline." Others echo his words and cite everything from rising crime to the neighborhood's own success, as real estate prices drive many young couples into suburban exile.

Though Astoria has a history of ethnic ebbs and flows, its roots lie with the landed gentry. In 1835, the "Father of Astoria," a furrier named Stephen Halsey, had visions of a prosperous new community rising from the verdant shores opposite Manhattan. So confident was Halsey of gaining the support of fellow furrier John Jacob Astor that he arranged to rename the area in his honor. But not even a millionaire needs two Astorias: Oregon had gotten there first, years before. Astor responded to the grand gesture with a shrug and a paltry donation.

Despite Astor's lack of enthusiasm, many of the rich did summer in Astoria, and the area evolved into an affluent suburb linked to Manhattan by a short ferry ride. Visit one of the early sections, commonly called Pot Cove, and you'll be taken aback both by the snarling pit bulls who rush to greet you and by what they guard—incongruous white-columned Taras and grand nineteenth-century dwellings, the fading souvenirs of a fashionable past.

The ghost of another wealthy man hovers over much of the neighborhood. William Steinway came to Astoria in 1870, seeking relief from the "machinations of the anarchists and the socialists" who were fomenting labor unrest in his Manhattan piano factory.

Steinway ensured his workers' isolation by turning what was then farmland into a New York version of a New England factory town. He paved the streets, established a post office, and erected rows of simple yet

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RELIGIOUS PROCESSION IN ASTORIA, QUEENS

pleasant-looking red brick row houses. The Steinway family made its home in a stunning Italianate mansion nearby. By 1881, Steinway Village, as the area was called, boasted a population of 1,200.

Steinway still makes its pianos in Astoria, and more than a few of the original workers' row houses remain, sprouting chain link fences, vinyl awnings, and weatherproof Madonnas. Rundown and abandoned, the family mansion became the haunted house of my youth, though its current owner has taken on the Herculean task of restoration. Steinway Street itself, with more than five hundred stores packed into two miles, has won renown as "the world's longest department store."

The piano craftsmen, imported from Germany by way of Yorkville, were part of the first wave of European immigrants to the area. They quickly put their stamp on the neighborhood by building beer gardens and workingmen's clubs. The area's German flavor persisted for some time; during the Thirties there were reports of Nazi marches through the streets.

Astoria shook off its aristocratic airs in the Twenties. The post-World War I period brought jobs and factories, and when the Second Avenue subway line stretched across the 59th Street Bridge, thousands of working-class New Yorkers were delivered from their cramped East Side tenements to modest homes that seemed as grand as Steinway's mansion by comparison.

Though they probably arrived by limo, the likes of Mae West, W. C. Fields, and the Marx Brothers also came to Astoria when Famous Players, the forerunner of Paramount Pictures, built cavernous studios here in 1920. But the Depression hit, the movies went west, and the facilities fell into

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disrepair. In 1980, with assistance from the city, real-estate developer George Kaufman supplied a Hollywood ending: The studios were completely rehabbed and have since been home to *The Cosby Show* and to a host of movies. The complex even boasts a Manhattan-class collection of film and television memorabilia, the American Museum of the Moving Image.

Movie glitz was far from the minds of those who bought up homes in Astoria as fast as developers could build them. Many were street-savvy Irishmen, who were joined before long by Italians and other immigrants from southern Europe. While there were certainly times when the Irish raised an eyebrow at the Mediterranean statue next door, or the Italians shook their heads over their neighbors' bland meals, the two groups, united by their church and their working-class ethos, downplayed their differences.

The Greeks, on the other hand, were determined to withstand the heat of the melting pot. Before the 1950s, there were only a handful in Queens; the largest Greek settlements were in Manhattan, at first along the Lower East Side and later in Hell's Kitchen. But when those neighborhoods declined, the Greeks moved on—to Bay Ridge, where many still live, and, in greater numbers, to Astoria. By the Sixties, their time had come. The Irish and Italians departed for the suburbs, and the Greeks rushed in, both from Manhattan and from a homeland beset by economic hardships. Astoria soon had the largest concentration of Greeks outside Athens; estimates of their numbers ranged as high as 100,000, or nearly half the area's total population.

Upon arrival, these highly social people, accustomed to a European café society, found themselves stranded. Where were they to gather? Irish bars? Italian coffeehouses? Wisely, they opted for neutral ground—McDonald's. As a teenager, I remember opening the door and finding the place completely filled, seemingly overnight, with bearded men speaking in strange tongues and lingering for hours over endless cups of fast-food coffee.

The privation was not to last. Greek cafés, social clubs, bakeries, banks, and restaurants soon dotted Ditmars and Steinway, as well as Astoria's other main thoroughfares, Broadway and Grand Avenue. Greek became the language of the streets and the stores, and the remaining Irish and Italians bitterly resented feeling like strangers in their own land. They spoke darkly of Greeks driving up the price of real estate and buying houses with suitcases full of money. They complained of the Greeks' clannishness and of an ethnic pride that struck them as arrogance. Above all, they condemned the mortal sin of the Greeks—their refusal to "fit in." What the Greeks did, of course, was to make the neighborhood fit them.

If their suitcases were full of cash, Greeks came by their money the old-fashioned way. George Delis, the local community board district manager and a proud Greek himself, credits his countrymen with being "hustlers." In the early days, they worked the streets as food vendors, graduating to diners where they washed dishes, waited tables, and often wound up owning the business. Many also found success selling real estate.

Over time, as surrounding areas deteriorated, the Irish and Italians came to appreciate the interlopers. Antonio Meloni, a lifelong Astorian who heads the neighborhood's Immigration Advocacy Service, puts it this way: "Twenty years ago, it was 'Those damn Greeks.' Now it's 'Thank God for those Greeks. They saved Astoria.'"

The consensus is that the Greeks "saved" Astoria just by being themselves—a hardworking, family-oriented people. But their penchant for outdoor cafés and street life added to the community's security; with men sitting outside, often until the wee

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hours, the sidewalks are rarely deserted. Delis, who points out that Greece has one of the lowest crime rates in Europe, contends that the group is especially tough on those who get in trouble with the law. "Your family disowns you and you get the message that nobody wants you around," he says. While Jackson Heights, Astoria's next-door neighbor, became a "cocaine capital," Astoria was spared. For the most part, the drug trade stopped at the border.

But what was once unthinkable is now coming to pass: Wealthier Greeks are beginning to leave Astoria for tonier areas of Queens like Bayside and Whitestone,

Steinway still makes its pianos in Astoria, and more than a few of the original workers' row houses remain

where $500,000 homes are not uncommon. Some, like George Alexiou, president of the Greek-American Homeowners Association, see the exodus in terms of the natural upward mobility of immigrants over time. "They don't want to stay here because they want bigger houses, schools, and all that stuff," he says.

Others, like Delis, are less sanguine, and read the departure as an ominous sign. "The one thing the Greeks don't tolerate is crime," he says. "And when crime increases, they move out."

Astorians still take for granted certain basic liberties denied most of the city. They can walk the streets late at night free from fear, even sleep with unbarred windows open on warm evenings. While a few homeless have settled on busy shopping streets, their numbers remain small enough to inspire charity, not scorn. But what police call "petty stuff"—car radio thefts, robberies, even drug dealing—is on the rise.

Stores have been hit especially hard. When night falls on Ditmars, shops take on the look of fortresses, and their heavy iron security shutters become the target of choice for graffiti vandals. Ramsis Elsheikh, an Egyptian immigrant to the area, found that the gates did little good; his Tops Camera electronics store was robbed twice in one week shortly after it opened. "I don't know what to do," he says sadly, gesturing at two locks whose bolts had been sawn off. "I thought this was a nice neighborhood. I never thought this could happen here."

Down the street at Metropolitan Florists, the debate is on. "The change has already occurred," insists Eugenia Rodamis, a college student who works there part-time. "They're selling drugs up and down this intersection. My sister was in the store when it was robbed at gunpoint in the middle of the afternoon."

"Oh, but this is still a livable neighborhood," an older woman in the store interjects. "Remember, this is New York City."

"Would you want your kids to grow up here, the way it is now? Not me," Rodamis declares flatly. "I grew up here, but as soon as I finish school, I'm getting out."

A baby boom has hit Astoria nevertheless, and as kids pour out of houses and apartments, they testify to their parents' continued faith in the neighborhood. But quality-of-life problems can still make raising a family here more difficult than it needs to be.

Astoria Park offers a stunning view of the Manhattan skyline and a case in point. With nearly sixty waterfront acres, a playground, and a huge pool built by Robert Moses, it has plenty of space for kids to play. Yet if it's difficult for me to walk my dog there without finding shards of glass in his paw when we return, it's even harder for me to imagine letting a child run free. To pass

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through the park, gingerly, is to be overwhelmed by carelessness—rotting food, beer bottles, and charcoal are everywhere, marking spots where picnics seem to have been abandoned mid-meal, and in some cases mid-bite, with a garbage can just yards away.

The willingness of residents to blame the city, not themselves, for the park's deterioration signals a larger problem. Since Astorians nourish an abiding mistrust of Manhattan, it has always been easier to fight city hall than to confront subtler enemies within. Last year, for example, when people learned that Astoria was on the short list for two homeless shelters and an incinerator, they jammed a series of protest meetings and succeeded in making their voices heard. By contrast, the fate of the neighborhood's only green space inspires little urgency and a great deal of resignation. Certainly budget cuts have hurt park maintenance. Yet no one in the community calls for volunteers to pitch in, as they do in other communities, or even suggests that those who use the park must now take greater pains not to abuse it.

Like any area, Astoria has its civic groups. Several work closely with City Council Speaker Peter Vallone, a native whose increasing political clout hasn't hurt his home turf. However, the majority of Astorians remain firmly committed to working hard and minding their own business. The breezy tolerance that results allows many different kinds of people to share tight quarters peacefully, but it also encourages them to view problems outside their homes as someone else's concern.

Not too long ago, however, a sign of change was plastered on billboards and lampposts throughout the area. In an open letter to his neighbors, a man named Lou DeSantis painted a stark, unflattering portrait of Astoria. He wrote of rising crime and described the plight of the elderly trapped in their homes by fear. DeSantis also issued a call to action, and challenged those who cared to join a group called PACT, short for Police and Community Together, an idea that dovetailed nicely with the re-emergence of the cop on the beat. PACT members hold monthly meetings in a church basement, file written reports of residents' complaints to ensure that they are acted upon, and plan to create civilian patrols for each block in their area.

Reports of the neighborhood's demise may be greatly exaggerated. They may even be familiar: "In the Fifties, a lot of people moved out to Long Island," Antonio Meloni recalls with a smile. "People were saying even then, 'Well, that's it. That's the end of Astoria!'"

Yet the warnings stand. For as the Greeks continue their march to greener pastures, the cohesion that was their greatest gift to Astoria will go with them—at precisely the moment it is most needed. Neighbors who remain behind and newcomers who move in will find themselves separated by language, culture, and polite detachment. But together they will determine what comes next: the slow, painful loss of a vibrant community, or the rejuvenation of their village in the shadow of the city. ■

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DIARIST

New York Alfresco

Barbara Probst Solomon

THURSDAY: Three European pals arrive. Belli says, "Look how blue the New York sky is—it reminds me of my childhood in Madrid." Rosa nudges her. "Did you notice the doorman picked up our bags? Just like my childhood in Barcelona." Josefina sighs: "No traffic jams—like Europe used to be."

FRIDAY: We hit the Cloisters. Offhandedly I point out that Philippe de Montebello had called it the world's most coherent example of medieval architecture of that sort. Their silence forces me to remember that George Clay Barnard, an eccentric American sculptor, sort of *stole* a lot of it—it was just lying there, doing nothing in the Pyrenees—and brought it to Manhattan before the First World War. Eventually John D. Rockefeller created the present Cloisters to house it.

The four of us stroll though it, flagship extraordinaire of Manhattan's gallant Hudson River, and I mull over Montebello's statement—how can transplanted stone be a better version than the original? The unity of the medieval world depended on a totality consisting of cities, churches, walls, fortresses, monasteries, and mountains—even the best reassembled fragments end up out of context, orphaned. Why bother to strain for fake purity when our bastard achievement is so glorious? The Cloisters belongs to the same transatlantic inspiration as the Newport cottages and the Statue of Liberty. Why not give this stuff a name—why not "Euroamer"? Just as the fourteenth-century fusion of Arab architecture and Andalusian artisans created Mudejar and the marvel of the Alcazar, so did the quirky combination of medieval architecture, Rockefeller money, and Clay, the eccentric American wanderer, coalesce into our great "Euroamer" Hudson River monastery. I watch the small boats chugging toward the downtown docks. Dreams, commerce, and art have always slept well together.

SATURDAY NIGHT: We go for a swim at the Manhattan Plaza Health Club at 43rd Street and Tenth Avenue. My club is in an artists' and writers' housing development. On my taxi ride over, the cab stops for one police drug bust, one ethnic parade, and one street fair.

My Spanish friends are awed by the number of pools in Manhattan. They are impressed by the way the pool's glass dome opens up; its spread of outdoor patios, hydrangeas, and tennis club: all this beneath a starlit Manhattan night. A tango party is going on. We watch a spectacular couple a la *Tango Argentina* shed their dancing clothes down to their bathing suits. They dive into the pool. I sip my drink, look across the patio at the tennis players in their whites playing night tennis under moons of light, the Empire State Building and downtown skyline in the background. Some Manhattan nights just have a blaze.

SUNDAY MORNING: Josefina and Belli are surprised that I claim Harlem as my roots. We visit La Marqueta in El Barrio. I tell them about my grandmother, who lived there at the turn of the century. As we proceed northward, I hear myself narrating the lost history of the city, as though its narration is one and the same as my relatives'. It occurs to me that, counting my progeny, my family has been hanging around the same blocks on the Upper East Side for five generations. Why is the stable population of Manhattan, its small- town quality, so little noticed? No Southerner would let go of terrain so lightly.

MONDAY: We hit the shops: thrift, boutique, department store, stationery, housewares, and Lower East Side. In the afternoon we study my pile of catalogs. They order things from the ones that ship to Europe.

THURSDAY: Josefina, Rosa, and Belli say goodbye. "New York has terrible problems," I say. Rosa grips my hand: "So does Europe. But," she continues firmly, "if a European country had something as good as Manhattan, it would be a national treasure."

Barbara Probst Solomon is a correspondent for the Madrid newspaper El País. *Her novel about New York,* Smart Hearts in the City, *is being published this fall.*

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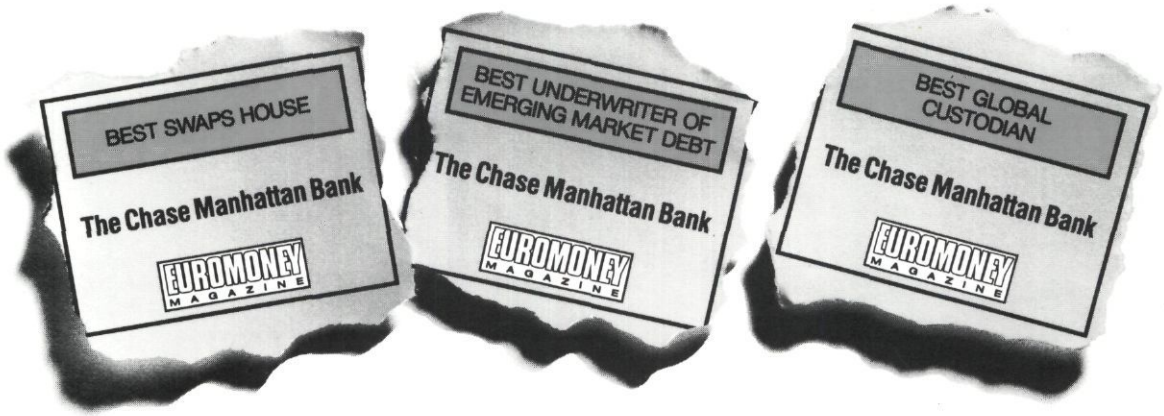

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